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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-8625  
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CITADEL HOLDING CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 95-3885184  
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER  
INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

600 NORTH BRAND BOULEVARD 91203  
GLENDALE, CALIFORNIA (ZIP CODE)  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (818) 956-7100  
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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No  .  
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of Common Stock, par value \$.01 per share, of Registrant outstanding as of August 12, 1994 was 6,595,624 shares.  
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CITADEL HOLDING CORPORATION

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CITADEL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JUNE 30, 1994	DECEMBER 31, 1993
	----- (UNAUDITED)	
ASSETS:		
Cash, federal funds sold and other cash equivalents. \$	92,850	\$ 145,961
Investment securities available for sale (June 30, 1994 at fair value; December 31, 1993 at amortized cost, fair value \$92,512).....	94,623	92,259
Mortgage-backed securities available for sale (June 30, 1994 at fair value; December 31, 1993 at amortized cost, fair value \$91,298).....	44,027	91,108
Loans and owned real estate held for Bulk Sale, at fair value.....	358,930	--
Loans held for sale, at lower of cost or market....	188,638	367,688
Loans receivable, net of allowances of \$64,492 and \$83,832 at June 30, 1994 and December 31, 1993, respectively.....	3,097,926	3,345,695
Interest receivable.....	24,369	23,052
Investment in FHLB and FRB stock.....	53,158	52,151
Owned real estate.....	15,656	153,607
Premises and equipment, net.....	51,945	49,247
Intangible assets, net.....	1,579	2,098
Other assets.....	21,293	66,653
	-----	-----
	\$4,044,994	\$4,389,519
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Deposits.....	\$3,000,619	\$3,368,643
FHLB Advances.....	422,700	326,400
Commercial paper.....	361,100	304,000
Mortgage-backed notes.....	100,000	100,000
Other borrowings.....	--	3,830
Deferred tax liabilities.....	--	14,564
Other liabilities.....	22,602	24,679
Subordinated notes.....	60,000	60,000
	-----	-----
	3,967,021	4,202,116
	-----	-----
Stockholders' equity:		
Serial preferred stock, par value \$.01 per share; authorized, 5,000,000 shares; no shares outstanding.....	--	--
Common stock, par value \$.01 per share; authorized, 10,000,000 shares; issued and outstanding, 6,595,624 shares.....	66	66
Paid-in capital.....	60,052	60,052
Unrealized loss on securities available for sale....	(2,669)	--
Retained earnings.....	20,524	127,285
	-----	-----
	77,973	187,403
	-----	-----
	\$4,044,994	\$4,389,519
	=====	=====

See notes to consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
	(UNAUDITED)			
<b>INTEREST INCOME:</b>				
Loans.....	\$ 56,834	\$ 68,663	\$ 117,562	\$ 142,001
Mortgage-backed securities.....	613	2,748	1,778	6,174
Investment securities and other..	3,163	2,268	5,344	3,691
Total interest income.....	60,610	73,679	124,684	151,866
<b>INTEREST EXPENSE:</b>				
Deposits.....	25,911	31,206	54,472	64,492
FHLB Advances.....	4,154	4,814	7,420	9,958
Other borrowings.....	6,214	8,885	11,207	18,009
Subordinated notes.....	1,843	1,843	3,686	3,686
Total interest expense.....	38,122	46,748	76,785	96,145
Net Interest Income.....	22,488	26,931	47,899	55,721
Provision for estimated loan losses.....	25,012	14,500	40,612	22,000
Net Interest Income after Provision for Estimated Loan Losses.....	(2,524)	12,431	7,287	33,721
<b>NONINTEREST INCOME (EXPENSE):</b>				
Loan fee income.....	814	1,067	1,893	2,981
Gains (losses) on sale of loans, net.....	(1,528)	225	(4,332)	620
Fee income from investment products.....	1,698	1,313	2,923	2,966
Fee income on deposits and other income.....	1,208	1,092	2,234	1,984
	2,192	3,697	2,718	8,551
Provision for estimated real estate losses.....	(2,067)	(16,000)	(6,367)	(17,000)
Direct costs of real estate operations, net.....	(3,127)	(4,377)	(5,184)	(7,695)
	(5,194)	(20,377)	(11,551)	(24,695)
Gains (losses) on sale of mortgage-backed securities, net.....	16	1,543	(605)	1,543
Gains on sale of investment securities, net.....	24	1,946	353	1,946
	40	3,489	(252)	3,489
Provision for loss on assets held for Bulk Sale.....	(56,518)	--	(56,518)	--
Total noninterest income (expense).....	(59,480)	(13,191)	(65,603)	(12,655)
<b>OPERATING EXPENSE:</b>				
Personnel and benefits.....	12,072	11,102	24,978	22,499
Occupancy.....	3,707	3,134	7,223	6,159
FDIC insurance.....	2,482	1,886	4,964	3,773
Professional services.....	2,912	2,609	5,573	4,264
Office-related expenses.....	1,431	1,490	3,063	2,861
Marketing.....	952	862	1,600	1,545
Restructuring and Recapitalization charges and expenses.....	12,242	--	13,210	--
Other general and administrative.....	1,865	1,654	3,415	3,086
Total operating expense.....	37,663	22,737	64,026	44,187
LOSS BEFORE INCOME TAXES.....	(99,667)	(23,497)	(122,342)	(23,121)
Income tax benefit.....	(7,664)	(8,252)	(15,582)	(8,011)
NET LOSS.....	\$ (92,003)	\$ (15,245)	\$ (106,760)	\$ (15,110)
NET LOSS PER SHARE.....	\$ (13.95)	\$ (2.31)	\$ (16.19)	\$ (3.02)
<b>WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING....</b>				
	6,595,624	6,595,624	6,595,624	5,010,488

See notes to consolidated financial statements.

## CITADEL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
----- (UNAUDITED) -----				
CASH FLOWS--OPERATING ACTIVITIES:				
Net Loss.....	\$(92,003)	\$(15,245)	\$(106,760)	\$(15,110)
Reconciliation of net loss to operating cash flows, net:				
Provisions for estimated losses.....	27,079	30,500	46,979	39,000
Provisions for loss on assets held for Bulk Sale.....	52,970	--	52,970	--
(Gain) loss on sale of loans and securities.....	1,504	(3,714)	4,600	(4,109)
Capitalized loan origination costs..	130	(358)	(408)	(723)
Amortization of deferred loan items, net.....	72	(660)	(465)	(657)
Originations of loans held for sale.	(9,678)	(26,843)	(53,321)	(42,860)
Proceeds from sales of loans held for sale.....	14,074	23,328	222,047	44,189
FHLB stock dividend.....	(883)	629	(1,350)	629
Depreciation and amortization.....	1,753	2,251	3,428	4,468
Interest receivable (increase) decrease.....	(911)	1,480	(1,317)	3,244
Other assets decrease.....	40,762	5,332	41,810	4,302
Deferred income tax benefit.....	(3,651)	--	(13,317)	(489)
Interest payable increase (decrease).....	(9,191)	(5,499)	(3,197)	(1,753)
Other liabilities and deferred income (decrease).....	16,603	(11,909)	1,120	(16,770)
Other, net.....	288	(282)	443	(431)
Operating cash flows, net.....	38,918	(990)	193,262	12,930
-----				
CASH FLOWS--INVESTING ACTIVITIES:				
Purchases of investment securities available for sale.....	--	(89,829)	(5,074)	(89,829)
Maturities of investment securities available for sale.....	--	35,000	--	35,000
Sales of investment securities available for sale.....	--	28,304	--	28,304
Purchases of investment securities held to maturity.....	--	(24,993)	--	(24,993)
Maturities of investment securities held to maturity.....	--	--	--	30,000
Purchases of mortgage-backed securities ("MBS") available for sale.....	--	(55,357)	(54,812)	(55,357)
Principal repayments of MBS available for sale.....	3,679	6,733	7,632	6,733
Proceeds from sales of MBS available for sale.....	--	98,229	93,552	98,229
Principal repayments of MBS held to maturity.....	--	--	--	5,537
Purchases of loans.....	(12,059)	--	(12,829)	--
Loans receivable, net (increase) decrease.....	(50,582)	58,923	(65,720)	65,454
Real estate investment (additions) dispositions, net.....	88	12	(521)	3,209
Proceeds from sales of real estate owned.....	4,668	10,652	12,094	17,784
Premises and equipment additions, net.....	(979)	(2,196)	(2,241)	(3,356)
Other, net.....	--	(496)	--	(1,531)
Investing cash flows, net.....	(55,185)	64,982	(27,919)	115,184
-----				

(Continued on following page)

CITADEL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)  
(DOLLARS IN THOUSANDS)

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
----- (UNAUDITED) -----				
CASH FLOWS--FINANCING ACTIVITIES:				
Demand deposits and passbook savings, net increase (decrease).....	\$(10,735)	\$(28,594)	\$ 17,397	\$(43,525)
Certificate accounts, net increase (decrease).....	(159,822)	(37,509)	(385,421)	(188,864)
Proceeds from FHLB Advances.....	100,000	55,000	150,000	160,000
Repayments of FHLB Advances.....	(20,000)	(135,000)	(53,700)	(350,000)
Short-term borrowings increase.....	107,100	54,884	53,270	362,001
Repayments of long-term borrowings.....	--	(100,000)	--	(100,000)
Proceeds from stock rights offering, net.....	--	--	--	31,378
Financing cash flows, net.....	16,543	(191,219)	(218,454)	(129,010)
Net increase (decrease) in cash and cash equivalents.....	276	(127,227)	(53,111)	(896)
Cash and cash equivalents at beginning of period.....	92,574	236,593	145,961	110,262
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD.....	\$ 92,850	\$109,366	\$ 92,850	\$109,366
	=====	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid (received) during the period for:				
Interest on deposits, advances and other borrowings.....	\$ 47,907	\$ 50,399	\$ 80,043	\$ 93,894
Income taxes.....	(39,123)	30	(40,904)	45
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Additions to real estate acquired through foreclosure.....	\$ 43,064	\$ 65,383	\$ 81,197	\$123,033
Loans originated to finance sale of real estate acquired through foreclosure.....	4,947	2,577	8,697	6,317
Transfers from investment portfolio to held-for-sale portfolios:				
Loans receivable.....	242,913	--	242,913	--
Investment securities.....	--	37,486	--	37,486
Mortgage-backed securities.....	--	224,688	--	224,688
Transfer from held-for-sale to investment portfolio:				
Loans receivable.....	6,664	--	6,664	--

See notes to consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

On August 4, 1994, Citadel Holding Corporation ("Citadel") completed major aspects of a recapitalization and restructuring transaction (defined below as the "Restructuring and Recapitalization"), pursuant to which its wholly-owned subsidiary, Fidelity Federal Bank, a Federal Savings Bank ("Fidelity" or the "Bank") raised approximately \$109 million in new equity and Citadel's ownership interest in Fidelity was reduced to a percentage estimated to be between 15% and 17%. See Note 4. "Subsequent Events" below.

The foregoing historical information presents Citadel's financial condition and results of operations as of June 30, 1994 on a pre-Restructuring and Recapitalization basis, showing Citadel as a financial services corporation with Fidelity and Gateway Investment Services, Inc. ("Gateway") as wholly-owned, principal operating subsidiaries. Unless the context otherwise requires, Citadel, Fidelity, Gateway and their respective subsidiaries are referred to in this report on a consolidated basis as the "Company"; provided that all references to the "Company" with respect to the period after August 4, 1994 or in the pro forma financial statements included in Note 5 below refer to Citadel and its subsidiary on a consolidated basis (not including Fidelity and Gateway). For more detailed information regarding the Restructuring and Recapitalization and the various transactions incidental thereto, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Restructuring and Recapitalization".

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of various normal accruals) necessary to present fairly its financial position, its results of operations and its cash flows. Certain reclassifications have been made to prior years' consolidated financial statements and other financial information to conform to the 1994 presentation. The results of operations for the six-month period ended June 30, 1994 are not indicative of the results of operations to be expected for the entire year of 1994.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required to be in conformity with generally accepted accounting principles. The financial information provided herein, including the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") is written with the presumption that the users of the interim financial statements have read, or have access to, the most recent Annual Report on Form 10-K which contains the latest audited financial statements and notes thereto, together with the MD&A as of December 31, 1993 and for the year then ended.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

JUNE 30, 1994

2. INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES

The following table summarizes the Bank's investment in debt and equity securities available for sale at June 30, 1994:

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	AGGREGATE FAIR VALUE
(DOLLARS IN THOUSANDS)				
U.S. Treasury and agency issues..	\$ 97,688	--	\$(3,065)	\$ 94,623
Mortgage-backed securities.....	44,572	--	(545)	44,027
	-----	-----	-----	-----
	\$142,260	\$ --	(3,610)	\$138,650
	=====	=====	=====	=====
Net unrealized losses, investment securities.....				\$ (3,610)
Net unrealized gains, hedging activities.....				470
Deferred income tax benefit.....				471
				-----
Net unrealized losses reported in stockholders' equity.....				\$ (2,669)
				=====

During the quarter ended June 30, 1994, the Bank did not sell any U.S. Treasury or agency securities. However, as part of the Bank's efforts to reduce the effects of further declines in the value of its investment securities portfolio, the Bank initiated a program to hedge some of the market risk by selling futures and options. Unrealized gains from such hedging activities totaled \$470,000 before tax for the quarter ending June 30, 1994.

There were no investments in debt and equity securities held for trading or held to maturity outstanding at June 30, 1994. For the three months ended June 30, 1994, there were no securities transferred between portfolios. As a result, no related gains or losses were recorded in earnings. However, included in the statement of operations is approximately \$40,000 representing an adjustment to a loss on the sale of mortgage-backed securities recorded in the previous quarter and gains derived from selling options.

The following table presents the Bank's investment in debt and equity securities available for sale at June 30, 1994 by maturity:

	MATURITY				TOTAL
	WITHIN 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS TO 10 YEARS	OVER 10 YEARS	
	(DOLLARS IN THOUSANDS)				
U.S. Treasury and agency is- sues.....	\$7,560	\$86,766	\$297	\$ --	\$ 94,623
Mortgage-backed securities....	--	6,513	--	37,514	44,027
	-----	-----	-----	-----	-----
	\$7,560	\$93,279	\$297	\$37,514	\$138,650
	=====	=====	=====	=====	=====



CITADEL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

JUNE 30, 1994

3. ALLOWANCE FOR ESTIMATED LOAN AND REAL ESTATE LOSSES

The following summarizes the activity in the Company's allowance for estimated loan and real estate losses:

ALLOWANCE FOR ESTIMATED LOSSES						
1994			1993			
LOANS	OWNED REAL ESTATE	TOTAL	LOANS	OWNED REAL ESTATE	TOTAL	
(DOLLARS IN THOUSANDS)						
Year-to-date activity						
Balance on January 1,...	\$ 83,832	\$17,715	\$101,547	\$64,277	\$16,450	\$80,727
Provision for losses...	40,612	6,367	46,979	22,000	17,000	39,000
Charge-offs.....	(22,035)	(3,529)	(25,564)	(18,607)	(12,030)	(30,637)
GVA charged off on assets held for Bulk Sale.....	(21,481)	(7,894)	(29,375)	--	--	--
Specific reserves charged off on assets held for Bulk Sale....	(14,277)	(10,035)	(24,312)	--	--	--
Recoveries.....	2,041	--	2,041	980	5	985
Balance on June 30, (1)..	\$ 68,692	\$ 2,624	\$ 71,316	\$68,650	\$21,425	\$90,075
-----						
Quarter-to-date activity						
Balance on March 31,...	\$ 91,368	\$20,465	\$111,833	\$68,456	\$14,422	\$82,878
Provision for losses...	25,012	2,067	27,079	14,500	16,000	30,500
Charge-offs.....	(12,254)	(1,979)	(14,233)	(14,924)	(8,997)	(23,921)
GVA charged off on assets held for Bulk Sale.....	(21,481)	(7,894)	(29,375)	--	--	--
Specific reserves charged off on assets held for Bulk Sale....	(14,277)	(10,035)	(24,312)	--	--	--
Recoveries.....	324	--	324	618	--	618
Balance on June 30, (1)..	\$ 68,692	\$ 2,624	\$ 71,316	\$68,650	\$21,425	\$90,075
-----						

(1) Includes \$4.2 million of general and specific reserves allocated to loans held for sale at June 30, 1994.

The following schedule details the activity affecting allowance for credit losses (specific valuation allowance) for impaired loans under SFAS No. 114:

SIX MONTHS ENDED JUNE 30, 1994	
(DOLLARS IN THOUSANDS)	
Balance, January 1, 1994.....	\$12,254
Allocations from GVA to recognize impairment....	32,750
Charge-offs.....	(22,035)
Charge-offs of specific reserves on Bulk Sale loans.....	(14,277)
Balance, June 30, 1994.....	\$8,692
=====	

JUNE 30, 1994

## 4. SUBSEQUENT EVENTS

During July 1994, as part of the Restructuring and Recapitalization described below, Fidelity entered into definitive purchase and sale agreements (each a "Bulk Sale Agreement") with three third-party purchasers for the sale (together with the Citadel Purchase referred to below, the "Bulk Sales") of primarily problem assets (together with the Citadel Purchase Assets referred to below, the "Bulk Sale Assets") with a net book value as of June 30, 1994 of \$418.8 million (prior to write-downs recorded on such date) for an aggregate purchase price equal to \$338.5 million. Also during July 1994, Fidelity entered into a definitive purchase agreement with Home Savings of America, FSB ("Home"), providing for the sale (the "Deposit and Branch Sale") of deposits (currently estimated at \$359.3 million) and certain assets at nine branches of Fidelity at a 2.25% premium on core deposits plus the net book value of the other assets sold (the "Deposit and Branch Sale Agreement").

On August 4, 1994, the following aspects of the Restructuring and Recapitalization were consummated (the "Closing"):

a. Citadel sold to Fidelity all of the stock of Gateway for approximately \$1.0 million cash;

b. A newly-formed subsidiary of Citadel, Citadel Realty, Inc. ("CRI"), purchased (the "Citadel Purchase") from Fidelity four real properties (the "Citadel Purchase Assets") with a net book value of \$23.2 million (prior to write-downs recorded on such date) for a purchase price of \$19.8 million, \$13.9 million of which was financed by Fidelity and the balance of which was financed with a short-term line of credit (the "Craig Line of Credit") from Craig Corporation ("Craig");

c. Citadel received from Fidelity by way of dividend (i) one-year transferable options (subsequently contributed to CRI) to acquire two office buildings (the "Office Buildings") used in the operations of Fidelity (including its headquarters buildings) for an aggregate exercise price of \$9.3 million (the "Office Building Options"), portions of which would be leased back by Fidelity upon exercise of such options, and (ii) Fidelity's interest in an existing lawsuit filed against the former carrier of Fidelity's directors' and officers' insurance policies, involving certain coverage and indemnity issues (the "D&O Litigation");

d. Fidelity issued and sold to investors in a public offering 21,577,141 shares of Class A and Class C Common Stock (the "FFB Class A Common Stock" and "FFB Class C Common Stock", respectively) for \$5.25 per share, the net proceeds of which sale (approximately \$109 million) were applied to pay down liabilities of the Bank and for general corporate purposes;

e. Citadel's equity interest in Fidelity was reclassified into a number of shares of Class B Common Stock of the Bank (the "FFB Class B Common Stock" and, together with the FFB Class A Common Stock and the FFB Class C Common Stock, the "FFB Common Stock") that remains to be finally determined, which is estimated to amount to between 15% and 17% of the total number of shares of FFB Common Stock outstanding; and

f. Fidelity redeemed its \$60 million subordinated notes (the "Subordinated Notes") for a redemption price equal to \$60 million plus accrued interest of approximately \$1.5 million, which amounts were paid in cash, and a recapitalization fee of \$1.0 million paid through the issuance of 190,476 shares of FFB Class A Common Stock to the holders of such notes.

JUNE 30, 1994

The Bulk Sales (at the prices set forth in the Bulk Sale Agreements), the Deposit and Branch Sale (at the price set forth in the Deposit and Branch Sale Agreement) and the transactions outlined in clauses a. through c. and in clause f. above are referred to herein collectively as the "Restructuring;" the steps outlined under clauses d. and e. above are referred to herein collectively as the "Recapitalization." The Citadel Purchase totaling \$19.8 million closed on August 3, 1994, and Fidelity closed two of the three third-party Bulk Sales on August 11 and 18, 1994 for an aggregate sales of \$60.2 million.

See MD&A--"Restructuring and Recapitalization" below for further details regarding the Restructuring and Recapitalization.

#### 5. PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following pro forma consolidated statements of financial condition and operations have been derived from the consolidated financial statements of the Company at June 30, 1994 and for the six months ended June 30, 1994 and 1993. These pro forma financial statements have been adjusted to give effect to the Restructuring and Recapitalization as if such transactions had been consummated at June 30, 1994 for the pro forma consolidated statement of financial condition and at January 1, 1994 and 1993 for the pro forma consolidated statements of operations for the six months ended June 30, 1994 and 1993, respectively. The pro forma consolidated financial statements are presented for informational purposes only and do not purport to be indicative of the financial condition and results of operations that actually would have resulted if the Restructuring and Recapitalization had been consummated at the dates indicated. The pro forma consolidated financial statements should be read in conjunction with the notes thereto and the Company's consolidated financial statements and related notes thereto contained elsewhere in this Quarterly Report on Form 10Q ("Form 10Q").

## CITADEL HOLDING CORPORATION

## PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1994  
(DOLLARS IN THOUSANDS)

HISTORICAL (UNAUDITED)	EFFECT OF DECONSOLIDATION (A)	EFFECT OF CITADEL PURCHASE (B)	EFFECT OF GATEWAY SALE (C)	PROFORMA	
<b>ASSETS:</b>					
Cash, federal funds sold and other cash equivalents.....	\$ 92,850	\$ (90,004)	\$ (403)	\$(340)	\$ 2,103
Investment securities available for sale...	94,623	(94,623)	--	--	--
Mortgage-backed securities available for sale.....	44,027	(44,027)	--	--	--
Loans and owned real estate held for Bulk Sale.....	358,930	(358,930)	--	--	--
Loans held for sale...	188,638	(188,638)	--	--	--
Loans receivable, net.....	3,097,926	(3,096,594)	--	--	1,332
Interest receivable...	24,369	(24,368)	--	(1)	--
Investment in FHLB and FRB stock.....	53,158	(53,158)	--	--	--
Owned real estate.....	15,706	(15,706)	20,042	--	20,042
Premises and equipment, net.....	51,945	(51,921)	--	(24)	--
Intangible assets, net.....	1,579	(1,579)	--	--	--
Other assets.....	21,243	(20,548)	491	(297)	889
Investment in Fidelity Federal Bank.....	--	27,720	--	--	27,720
<b>Total assets.....</b>	<b>\$4,044,994</b>	<b>\$(4,012,376)</b>	<b>\$20,130</b>	<b>\$(662)</b>	<b>\$52,086</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>					
<b>Liabilities:</b>					
Deposits.....	\$3,000,619	\$(3,000,619)	\$ --	\$ --	\$ --
FHLB Advances.....	422,700	(422,700)	--	--	--
Commercial paper.....	361,100	(361,100)	--	--	--
Mortgage-backed notes.....	100,000	(100,000)	--	--	--
Other borrowings.....	--	--	20,130	--	20,130
Other liabilities.....	22,602	(21,439)	--	(662)	501
Subordinated notes....	60,000	(60,000)	--	--	--
<b>Total liabilities...</b>	<b>3,967,021</b>	<b>(3,965,858)</b>	<b>20,130</b>	<b>(662)</b>	<b>20,631</b>
<b>Stockholders' Equity:</b>					
Common stock.....	66	--	--	--	66
Paid-in capital.....	60,052	--	--	--	60,052
Unrealized loss on securities available for sale.....	(2,669)	2,669	--	--	--
Retained earnings (deficit).....	20,524	(49,187)	--	--	(28,663)
<b>Total stockholders' equity.....</b>	<b>77,973</b>	<b>(46,518)</b>	<b>--</b>	<b>--</b>	<b>31,455</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>\$4,044,994</b>	<b>\$(4,012,376)</b>	<b>\$20,130</b>	<b>\$(662)</b>	<b>\$52,086</b>

See notes to pro forma consolidated statement of financial condition.

NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

- (A) Reflects the deconsolidation of the Company's investment in the Bank resulting from the Recapitalization. The pro forma adjustments assume the revaluation of the Company's investment in the Bank based upon an estimated residual ownership interest of 4,200,000 shares of FFB Class B Common Stock and an estimated fair value per share equal to the pro forma book value per share of the Bank, giving effect to the Restructuring and Recapitalization, of \$6.60 per share. Such value per share differs from the price per share of \$5.25 paid by the investors in the Recapitalization. Company management has yet to make a decision on the carrying value of the Company's investment in the Bank.
- (B) Reflects the consummation of the Citadel Purchase, which involved the purchase by CRI of four real estate properties from the Bank for an aggregate purchase price of \$19.8 million. This acquisition was financed by the Bank through three loans to CRI in the aggregate amount of \$13.9 million, secured by the respective real estate properties, and a \$6.2 million draw on the Craig Line of Credit. The adjustment to Owned Real Estate includes the purchase price of the properties and acquisition costs of approximately \$0.2 million. Adjustments to Other Assets include financing charges of \$0.5 million related to the acquisition financing by the Bank and Craig. Adjustments to Cash include acquisition and financing charges described above, loan proceeds of \$6.2 million received under the Craig Line of Credit and cash paid to the Bank of \$5.9 million for the Citadel Purchase Assets.
- (C) Reflects the pro forma impact of the sale of the outstanding stock of Gateway by Citadel to the Bank for \$1.0 million in cash, an amount equal to the book value of such stock as of June 30, 1994. Pro forma adjustments reflect the deconsolidation of Gateway's assets and liabilities, net of cash received.

CITADEL HOLDING CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1994

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL (UNAUDITED)	EFFECT OF DECONSOLIDATION (A)	EFFECT OF CITADEL PURCHASE (B)	EFFECT OF GATEWAY SALE (C)	PRO FORMA
<b>INTEREST INCOME:</b>					
Loans.....	\$ 117,562	\$(117,562)	\$ --	\$ --	\$ --
Mortgage-backed securities.....	1,778	(1,778)	--	--	--
Investment securities and other.....	5,344	(5,334)	--	(10)	--
Total interest income.....	124,684	(124,674)	--	(10)	--
<b>INTEREST EXPENSE:</b>					
Deposits.....	54,472	(54,472)	--	--	--
FHLB Advances.....	7,420	(7,420)	--	--	--
Other borrowings.....	11,207	(11,207)	1,047	--	1,047
Subordinated notes.....	3,686	(3,686)	--	--	--
Total interest expense.....	76,785	(76,785)	1,047	--	1,047
NET INTEREST INCOME.....	47,899	(47,889)	(1,047)	(10)	(1,047)
Provision for estimated loan losses.....	40,612	(40,612)	--	--	--
NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR ESTIMATED LOAN LOSSES.....	7,287	(7,277)	(1,047)	(10)	(1,047)
<b>NONINTEREST INCOME (EXPENSE):</b>					
Loan and other fee income.....	1,893	(1,893)	--	--	--
Gain (loss) on sales of loans, net.....	(4,332)	4,332	--	--	--
Fee income from investment products...	2,923	(1,441)	--	(1,482)	--
Fee income on deposits and other income.....	2,234	(2,234)	--	--	--
	2,718	(1,236)	--	(1,482)	--
Provision for estimated real estate losses.....	(6,367)	6,367	--	--	--
Direct income (costs) of real estate operations, net.....	(5,184)	5,184	638	--	638
Depreciation expense...	--	--	(244)	--	(244)
	(11,551)	11,551	394	--	394
Loss on sales of mortgage-backed securities, net.....	(605)	605	--	--	--
Gain (loss) on sales of investment securities, net.....	353	(353)	--	--	--
	(252)	252	--	--	--
Provision for loss on assets held for Bulk Sale.....	(56,518)	56,518	--	--	--
Total noninterest income (expense).....	(65,603)	67,085	394	(1,482)	394
<b>OPERATING EXPENSE:</b>					
Personnel and benefits.....	24,978	(24,728)	--	--	250
Occupancy.....	7,223	(7,148)	--	--	75
FDIC insurance.....	4,964	(4,964)	--	--	--
Professional services..	5,573	(5,448)	--	--	125
Office-related expenses.....	3,063	(3,013)	--	--	50
Marketing.....	1,600	(1,600)	--	--	--
Restructuring and Recapitalization charges and expenses..	13,210	(13,210)	--	--	--

Other general and administrative.....	3,415	(2,379)	--	(1,006)	30
	-----	-----	-----	-----	-----
Total operating expense.....	64,026	(62,490)	--	(1,006)	530
	-----	-----	-----	-----	-----
EARNINGS (LOSS) BEFORE INCOME TAXES.....	(122,342)	122,298	(653)	(486)	(1,183)
Income tax expense (benefit).....	(15,582)	16,266	--	(209)	475
	-----	-----	-----	-----	-----
NET EARNINGS (LOSS).....	<u>\$ (106,760)</u>	<u>\$ 106,032</u>	<u>\$ (653)</u>	<u>\$ (277)</u>	<u>\$ (1,658)</u>
	=====	=====	=====	=====	=====
NET EARNINGS (LOSS) PER SHARE.....	<u>\$ (16.19)</u>				<u>\$ (0.25)</u>
	=====				=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	6,595,624				6,595,624
	=====				=====

See notes to pro forma consolidated statements of operations.

CITADEL HOLDING CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1993  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL	EFFECT OF DECONSOLIDATION (A)	EFFECT OF CITADEL PURCHASE (B)	EFFECT OF GATEWAY SALE (C)	PRO FORMA
<b>INTEREST INCOME:</b>					
Loans.....	\$ 142,001	\$(142,001)	\$ --	\$ --	\$ --
Mortgage-backed securities.....	6,174	(6,174)	--	--	--
Investment securities and other.....	3,691	(3,522)	--	(18)	151
Total interest income.....	151,866	(151,697)	--	(18)	151
<b>INTEREST EXPENSE:</b>					
Deposits.....	64,492	(64,492)	--	--	--
FHLB Advances.....	9,958	(9,958)	--	--	--
Other borrowings.....	18,009	(18,009)	1,048	--	1,048
Subordinated notes.....	3,686	(3,686)	--	--	--
Total interest expense.....	96,145	(96,145)	1,048	--	1,048
NET INTEREST INCOME.....	55,721	(55,552)	(1,048)	(18)	(897)
Provision for estimated loan losses.....	22,000	(22,000)	--	--	--
NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR ESTIMATED LOAN LOSSES.....	33,721	(33,552)	(1,048)	(18)	(897)
<b>NONINTEREST INCOME (EXPENSE):</b>					
Loan and other fee income.....	2,981	(2,981)	--	--	--
Gain (loss) on sales of loans, net.....	620	(620)	--	--	--
Fee income from investment products...	2,966	--	--	(2,966)	--
Fee income on deposits and other income.....	1,984	(1,984)	--	--	--
	8,551	(5,585)	--	(2,966)	--
Provision for estimated real estate losses.....	(17,000)	17,000	--	--	--
Direct costs of real estate operations, net.....	(7,695)	7,695	638	--	638
Depreciation.....	--	--	(244)	--	(244)
	(24,695)	24,695	394	--	394
Loss on sales of mortgage-backed securities, net.....	1,543	(1,543)	--	--	--
Gain (loss) on sales of investment securities, net.....	1,946	(1,946)	--	--	--
	3,489	(3,489)	--	--	--
Total noninterest income (expense).....	(12,655)	15,621	394	(2,966)	394
<b>OPERATING EXPENSE:</b>					
Personnel and benefits.....	22,499	(22,249)	--	--	250
Occupancy.....	6,159	(6,084)	--	--	75
FDIC insurance.....	3,773	(3,773)	--	--	--
Professional services..	4,264	(4,139)	--	--	125
Office-related expenses.....	2,861	(2,811)	--	--	50
Marketing.....	1,545	(1,545)	--	--	--
Restructuring and Recapitalization charges and expenses..	--	--	--	--	--
Other general and administrative.....	3,086	(869)	--	(2,187)	30
Total operating expense.....	44,187	(41,470)	--	(2,187)	530



EARNINGS (LOSS) BEFORE	-----	-----	-----	-----	-----
INCOME TAXES.....	(23,121)	23,539	(654)	(797)	(1,033)
Income tax expense					
(benefit).....	(8,011)	8,763	--	(320)	432
	-----	-----	-----	-----	-----
NET EARNINGS (LOSS).....	\$ (15,110)	\$ 14,776	\$ (654)	\$ (477)	\$ (1,465)
	=====	=====	=====	=====	=====
NET EARNINGS (LOSS) PER					
SHARE.....	\$ (3.02)				\$ (0.29)
	=====				=====
WEIGHTED AVERAGE COMMON					
SHARES OUTSTANDING.....	5,010,488				5,010,488
	=====				=====

See notes to pro forma consolidated statements of operations.

NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

- (A) Reflects the deconsolidation of the Company's investment in the Bank resulting from the Recapitalization. The pro forma adjustments assume that the Company's operating expenses will be \$0.5 million for each of the six month periods ended June 30, 1994 and 1993. This reflects changes in operations related to the organization of CRI and the purchase of the Citadel Purchase Assets from the Bank. Due to restrictions on the Company's ability to recognize tax benefits for federal and state operating losses and the reversal of previously recorded deferred tax benefits as a consequence of the deconsolidation, the pro forma effective tax rate differs from the combined federal and state statutory rates of approximately 41%. Excluded from the pro forma consolidated results of operations are losses associated with the Company's revaluation of its investment in the Bank.
- (B) Reflects the results of operations of the Citadel Purchase Assets, including depreciation, as if they had been acquired on January 1 of the respective years, and the related interest expense associated with the acquisition financing. The \$13.9 million of loans from the Bank are assumed to bear interest at rates ranging from 7.25 to 9.25% per annum. The \$6.2 million drawn on the Craig Line of Credit is assumed to bear interest at 10.25% per annum.
- (C) Reflects the pro forma impact of the sale of the outstanding stock of Gateway by Citadel to the Bank. The pro forma adjustments remove Gateway's results of operations for each of the six-month periods ended June 30, 1994 and 1993.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT DEVELOPMENTS

Since the end of the second quarter of 1994, the Company consummated major aspects of a Restructuring and Recapitalization described under "Item 1--Financial Statements--Note 4--Subsequent Events" above and "Restructuring and Recapitalization" below. The transactions consummated include a public offering by Fidelity of 21,577,141 shares of FFB Common Stock, which has resulted in the reduction of Citadel's equity interest in Fidelity from 100% to a percentage that remains to be finally determined, but which is estimated to be between 15% and 17%. Reference is made to these sections for a detailed description of the Restructuring and Recapitalization. Reference is also made to "Business Plan; Capital Resources and Liquidity of the Company Post-Closing" below regarding the financial impact of the Restructuring and Recapitalization on Citadel and its subsidiaries. Certain capitalized terms used below are defined under "Item 1--Financial Statements--Note 4--Subsequent Events." Information contained in this Form 10Q regarding the Bank (including information regarding the Bank's policies, procedures and plans) was provided to Citadel by Bank personnel and is included herein based upon assurances by the Bank as to the accuracy of such information. As a result of the Restructuring and Recapitalization, Citadel no longer wholly-owns the Bank and is not in a position to verify the accuracy of such information.

The results of the Restructuring and Recapitalization are materially less favorable to the Company than had been previously anticipated primarily due to limited equity investor interest associated with the lingering uncertainty of the California economy, the results of the January Northridge earthquake, the higher than expected costs of restructuring, the continued weakness exhibited by Fidelity's loan portfolio and the less than anticipated proceeds of the Bulk Sales. Other contributing factors included the effect of recent interest rate increases and the costs associated with the redemption of the Subordinated Notes as a part of the transaction. Citadel continues to be registered as a Savings and Loan Holding Company subject to examination and regulation by the Office of Thrift Supervision ("OTS"). However, Citadel's ability to participate in the management and direction of Fidelity is very limited.

RESTRUCTURING AND RECAPITALIZATION

This section provides certain additional information regarding the Restructuring and Recapitalization and related transactions. The descriptions below of the documents entered into by the Company in connection with the Restructuring and Recapitalization are necessarily summary in nature and are qualified in their entirety by the complete terms and conditions of such documents, which documents have been filed as exhibits to this Form 10Q.

Citadel Purchase

The Citadel Purchase Assets include three apartment complexes totaling 388 units located in Southern California, purchased for \$13.9 million, and a 178,211 square foot office building in Phoenix, Arizona, purchased for \$5.9 million. Management believes that with active management and certain capital expenditures, these properties if sold on an individual basis, could be worth more than CRI purchased them for in the Citadel Purchase, but there can be no assurance on this point.

Fidelity has financed \$13.9 million of the purchase price of three of the four Citadel Purchase Assets by making three separate loans to CRI secured by the respective properties. With respect to each of two of the apartment complexes, Fidelity has extended a 10-year loan, amortizing over 30 years, at an adjustable rate of interest tied to the one-year Treasury rate plus approximately 3.70% per annum, with an initial interest rate of 7.25%. The loan secured by the office building has a seven-year term, amortizing over 25 years, with an adjustable rate of interest tied to the six-month LIBOR rate plus 4.50% per annum, with an initial rate of 9.25% per annum. This loan is guaranteed by Citadel. In addition, CRI borrowed \$6.2 million from Craig under the \$8.2 million Craig Line of Credit to finance the balance of the purchase price of the Citadel Purchase Assets. See "Craig Line of Credit" below.

## Office Building Options

As part of the Restructuring and Recapitalization, Citadel also acquired by way of dividend the Office Building Options, which were assigned to CRI. Originally, it had been anticipated that the Office Buildings would be dividended to Citadel as part of its restructuring plan. However, had such dividend been made, the Bank's pro forma core capital ratio at June 30, 1994, giving effect to the Restructuring and Recapitalization at such date, would have been below the target ratio of 5%. Therefore, the transaction had to be restructured to provide for a dividend of the Office Building Options instead of the Office Buildings, which dividend did not reduce the capital of the Bank.

The Office Buildings subject to the Office Building Options are located in Glendale (the "Glendale Building") and in Sherman Oaks (the "Sherman Oaks Building"), respectively, and the aggregate exercise price of the Office Building Options is \$9.3 million, which is equal to the aggregate net book value of the Office Buildings as of June 30, 1994. Third-party appraisals on these properties indicate that the market value of the Office Buildings could be up to \$3 million above the exercise price of the Office Building Options, before costs the Company would incur in connection with the exercise, which may be significant.

## D&O Litigation

At the Closing, Fidelity also transferred to Citadel its interest in the D&O Litigation. Fidelity had obtained a substantial monetary judgment against the defendant insurance carrier, which was reversed and remanded by the Ninth Circuit Court of Appeals in December 1993. On remand, the trial court rendered a subsequent judgment in favor of Fidelity of approximately \$2.9 million. This judgment has again been appealed to the Ninth Circuit by its carrier; the carrier contends that the correct amount should be between \$289,000 and zero.

## Description of FFB Class B Common Stock

Under the terms of the Amended Charter, Citadel, as holder of FFB Class B Common Stock, is entitled to limited voting rights. Holders of FFB Class B Common Stock are permitted to vote only (i) with respect to any amendment, modification or waiver of the Amended Charter that would adversely affect the rights of the FFB Class B Common Stock (including, without limitation, any increase or decrease in the percentage of shares of outstanding FFB Class B Common Stock outstanding required to approve any such amendment, modification or waiver), in which case any such amendment, modification or waiver will not be effective without the prior affirmative vote of the holders of a majority of the FFB Class B Common Stock at the time outstanding voting as a separate class and (ii) on a merger or consolidation of the Bank or a sale or exchange of all or substantially all of the assets of the Bank on which the holders of FFB Class A Common Stock have the right to vote, in which event the holders of FFB Class A Common Stock and FFB Class B Common Stock will vote together as one class, (iii) together with the holders of the FFB Class A Common Stock and the FFB Class C Common Stock, voting as a single class, on any dissolution of the Bank or (iv) as otherwise required by law.

The holders of FFB Class B Common Stock are entitled to receive dividends pari passu with the holders of FFB Class A Common Stock and FFB Class C Common Stock, out of funds legally available therefor, subject to the restrictions of the Bank's regulators and the payment of any preferential amounts of which any class of stock having preferences over the FFB Common Stock is entitled. Upon liquidation, dissolution or winding up of the Bank, holders of FFB Class B Common Stock are entitled to share ratably and pari passu with holders of FFB Class A Common Stock and FFB Class C Common Stock in all assets remaining after the payment of all liabilities of the Bank and of any preferential amounts of which any class of stock having preferences over the Common Stock is entitled.

Upon the sale or transfer of any shares of FFB Class B Common Stock by Citadel to any person that is not an affiliate of Citadel, such transferred shares will automatically be converted into shares of FFB Class A Common Stock. In addition, any outstanding shares of FFB Class B Common Stock will automatically be converted into shares of FFB Class A Common Stock if such outstanding shares represent less than 10% of the total outstanding Common Stock of Fidelity on a fully-diluted basis. The conversion rate for the FFB Class B Common Stock will be one-to-one.

Pursuant to the Registration Rights Agreement entered into with the Bank (the "Registration Rights Agreement"), Citadel and any person who acquires shares of FFB Class B Common Stock or FFB Class A Common Stock issuable upon conversion of the shares of FFB Class B Common Stock (the "Registrable Securities") is entitled to certain registration rights with respect to such shares, subject to the terms and conditions of the Registration Rights Agreement. At any time on or after the end of the first fiscal year ending after the Closing and before March 31, 1998, the holder or holders of more than 50% of the Registrable Securities may require the Bank to register all or a portion of the Registrable Securities under OTS regulations, subject to certain restrictions, provided that no registration statement filed by the Bank pursuant to any such demand shall become effective prior to the date of the filing by the Bank of its Annual Report on Form 10-K for the first fiscal year ending after the date of the Closing (the "Form 10-K Filing Date"). No more than three demands may be made pursuant to such registration rights. Furthermore, if, at any time before March 31, 1999, the Bank proposes to register any of its FFB Common Stock under the OTS regulations for purposes of an offering or sale in a primary or secondary offering, the Bank may be required to include any or all shares of Registrable Securities as directed by the holders thereof. Subject to certain limitations, the Bank is required to bear all registration and selling expenses in connection with the registration of the Registrable Securities.

The Stockholders' Agreement between Citadel and the Bank (the "Citadel Stockholders' Agreement") provides restrictions on the transfers of shares of FFB Class B Common Stock. Except pursuant to the exercise of its registration rights described above, no holder of FFB Class B Common Stock may sell publicly shares of FFB Class B Common Stock representing more than 5% of the total outstanding Common Stock of the Bank on a fully-diluted basis during any 30-day period without the prior approval of the Board of Directors of the Bank. In addition, if shares of FFB Class B Common Stock representing more than 5% of the total outstanding Common Stock of the Bank on a fully-diluted basis are proposed to be sold privately to any person or, if after giving effect to such private sale, the transferee (including any of the transferee's affiliates or any "group" (as defined) of which the transferee is a member) would own more than 5% of the outstanding Common Stock of the Bank on a fully diluted basis, then except in connection with distributions by Citadel of such shares to its stockholders, Fidelity will have an assignable right of first refusal with respect to the shares of FFB Class B Common Stock proposed to be sold. Upon any distribution of FFB Class B Common Stock by Citadel to its stockholders, by dividend or otherwise, any Citadel stockholder will be entitled to convert all or a portion of the shares of FFB Class B Common Stock so distributed to the extent that such shares when added to all other shares of FFB Class B Common Stock owned immediately prior to the distribution by such stockholder and any shares of FFB Class B Common Stock owned immediately prior to the distribution by all other members of any "group" of which such stockholder is a member, do not exceed five percent of all outstanding shares of FFB Common Stock of the Bank.

In addition, for a period commencing six months after the Closing and ending 18 months after the Closing, Fidelity has the right to redeem, subject to the approval of OTS and the approval of the stockholders of Citadel, any outstanding shares of FFB Class B Common Stock owned by Citadel or its affiliates (each a "Citadel Person"), in excess of the number of shares of FFB Common Stock held by the then largest stockholder of the Bank (other than Citadel), at a redemption price (the "Redemption Price") equal to either (a) 110% of the market price of the FFB Class A Common Stock, assuming it is then listed on a national securities exchange or admitted for quotation on the National Association of Securities Dealers Automated Quotation System, or (b) if the FFB Class A Common Stock is not so listed or quoted, 100% of the book value per share of all FFB Common Stock as of the most recent quarterly balance sheet date; provided that

no such redemption shall be made in anticipation of any merger, consolidation, sale of all or substantially all of Fidelity's assets, distribution (other than any ordinary cash dividend), or any other transaction involving the receipt by holders of any class of FFB Common Stock of any cash or other property. Fidelity will be required to notify each Citadel Person holding shares of FFB Class B Common Stock of its intention to exercise such right to redeem shares. After receiving such notice, such Citadel Person will have the option to distribute any or all of the shares of FFB Class B Common Stock it owns to its stockholders, in which case Fidelity will redeem only the shares of FFB Class B Common Stock, if any, not so distributed by such Citadel Person. As of the date of the Closing, there were three other holders of FFB Common Stock with 16.55%, 16.55% and 11.03% of the total outstanding shares of such stock, respectively, as compared to the estimated 15% to 17% held by Citadel. Thus, if such holders and Citadel were to continue to hold such stock until 18 months after the Closing, any exercise of such option would potentially reduce Citadel's interest in the Bank to no more than 16.55%.

Citadel will not be permitted to sell or otherwise transfer to any person its shares of FFB Class B Common Stock prior to September 20, 1994.

#### Craig Line of Credit

In order to acquire the Citadel Purchase Assets, CRI borrowed \$13.9 million from Fidelity (see "Citadel Purchase" above) and \$6.2 million from Craig. The amounts borrowed from Craig were part of the \$8.2 million Craig Line of Credit. The Craig Line of Credit is guaranteed by Citadel, which guarantee is secured by a pledge of all of the stock of CRI.

The Craig Line of Credit matures and is due and payable in full on August 5, 1995, subject to CRI's right, if it satisfies certain conditions and pays an extension fee, to extend the line for an additional six months to February 5, 1996. Borrowings under the Craig Line of Credit bear interest at prime plus 3%, and there is a 0.5% annual fee on the average undrawn balance under the line. CRI paid a 2.5% commitment fee at origination of the Craig Line of Credit, and, if CRI were to elect to extend the maturity date of the line, it would be required to pay a 1% extension fee. James J. Cotter, the Chairman of the Board and a director of Citadel, also is the Chairman of the Board and a director of Craig, and S. Craig Tompkins, the Vice Chairman and a director of Citadel, is also the President and a director of Craig. Craig owns approximately 9% of the outstanding stock of Citadel, and made the Craig Line of Credit available to facilitate the Restructuring and Recapitalization. Craig is not in the business of making loans or investing in debt securities.

#### Third Party Bulk Sale Agreements

The three Bulk Sale Agreements Fidelity entered into with third parties contain certain representations and warranties relating to the assets transferred. The truth and accuracy of certain representations and warranties as of the related closing date is one of several conditions to the obligations of the purchasers under such agreements to consummate the Bulk Sales under such agreements. In addition, for a period of time ranging from 60 to 180 days after the related closings, the purchasers of the assets under the Bulk Sale Agreements will have the right to require Fidelity, at Fidelity's option, either to repurchase Bulk Sale Assets as to which representations and warranties are discovered to be untrue or to cure such breach. The repurchase price for each Bulk Sale Asset repurchased is equal to the allocated purchase price paid plus amounts expended by the purchaser post-closing, minus amounts received by the purchasers post-closing with respect to such asset.

Certain of the representations and warranties in the Bulk Sales Agreements concerning the environmental and structural condition of the REO or the properties underlying mortgage loans that are Bulk Sales Assets may require treatment as recourse arrangements for purposes of determining risk-based capital requirements for the Bank (the "Recourse Representations"). OTS capital requirements generally require such recourse treatment where "nonstandard" representations and warranties are given, including representations as to facts which have not been verified by reasonable due diligence. The Recourse Representations are being made with respect to Bulk Sale Assets for which no related third-party structural and/or environmental inspection or assessment reports have been obtained by the Bank, and thus may be considered under OTS regulations to be recourse arrangements. Assets that are deemed to be sold with

recourse must continue to be included in risk-weighted assets for purposes of calculating the Bank's risk-based capital ratio for as long as the recourse arrangement continues. The Recourse Representations have been made with respect to Bulk Sale Assets with an allocated purchase price of only \$69 million. The obligations of the Bank under the Bulk Sale Agreements with respect to the Recourse Representations will terminate on the 60th day after the closing date of the respective Bulk Sale if a notice of breach has not been received. Upon the expiration of such 60-day period, the Bank will no longer be obligated to include any portion of the Bulk Sale Assets in the risk-weighted assets category for purposes of risk-based capital calculations.

Under the Citadel Stockholders' Agreement, Citadel must reimburse the Bank in an amount not to exceed \$4 million for certain losses incurred by the Bank in either repurchasing Bulk Sale Assets in the event of breached Recourse Representations or curing such breaches (the "Bulk Sale Indemnity").

#### Certain Indemnities, Etc.

The Bank has agreed to indemnify J.P. Morgan Securities, Inc. ("Morgan"), the placement agent in the Recapitalization, against certain civil liabilities under the Securities Act of 1933, as amended. If the Bank fails to satisfy such indemnity, Citadel has agreed, under certain circumstances, to satisfy such indemnity.

Under the Citadel Stockholders' Agreement, Fidelity has agreed to cooperate with Citadel and certain related persons in the defense of any claim or action that may be brought by any stockholder of Fidelity against Citadel or any such persons arising out of or in any way related to the offering of securities in connection with the Recapitalization. Except in certain circumstances, if Fidelity is also a party to such claim or action, Fidelity will provide Citadel and such persons with the defense thereof, with counsel reasonably acceptable to Citadel.

#### Tax Sharing

The tax sharing agreement between Citadel and Fidelity was terminated prior to the Closing. At the Closing, Citadel and Fidelity entered into a tax disaffiliation agreement (the "Tax Disaffiliation Agreement") that sets out each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state, local or foreign taxes for periods before and after the Closing and related matters such as the filing of tax returns and the conduct of Internal Revenue Service and other audits. In general, under the Tax Disaffiliation Agreement, Fidelity will be responsible for (i) all adjustments to the tax liability of Fidelity and its subsidiaries for periods before the Closing relating to operations of Fidelity, (ii) any tax liability of Fidelity and its subsidiaries for the taxable year that begins before and ends after the Closing in respect of that part of the taxable year through the end of the date of the Closing, and (iii) any tax liability of Fidelity and its subsidiaries for periods after the Closing. For this purpose, Gateway is deemed to be a subsidiary of Fidelity at all relevant times and any liability for taxes for any period ending on or before the Closing shall be measured by Citadel's actual liability for taxes for such period, after applying tax benefits otherwise available to Citadel attributable to such period. With certain exceptions, Fidelity will be entitled to any refunds of taxes relating to its tax liabilities.

In general, Citadel will be responsible for all tax liabilities of Citadel and its subsidiaries (other than Fidelity and its subsidiaries) for all periods prior to disaffiliation. Citadel will be entitled to any refunds of taxes relating to its liabilities.

#### Management

Steve Wesson has been appointed as President and Chief Executive Officer of the Company. Mr. Wesson was initially retained to develop a plan for the retention by Citadel of approximately \$500 million in gross book value of the assets ultimately sold to third parties in the Bulk Sales. From 1989 until he joined the Company in 1993, Mr. Wesson served as CEO of Burton Property Trust Inc., the U.S. real estate subsidiary of The Burton Group PLC. In this position he was responsible for the restructuring and eventual disposal of the company's assets in the U.S. Mr. Wesson succeeds Richard M. Greenwood, who resigned from his

positions with Citadel and continues as the President and Chief Executive Officer of Fidelity. All officers of Citadel, other than Heidi Wulfe, Senior Vice President, Controller and Chief Accounting Officer, resigned their offices effective as of the Closing. Ms. Wulfe resigned her positions with Citadel effective August 23, 1994.

Upon the Closing, Directors Donald Boulanger, Mel Goldsmith, Richard M. Greenwood and Zebbie Trogden resigned as directors of Citadel and Fidelity and Ralph B. Perry III resigned as a Director of Fidelity. Directors Peter W. Geiger and Alfred Villaseñor, Jr. resigned as directors of Fidelity but, along with Directors James J. Cotter and S. Craig Tompkins (who were not directors of Fidelity) will continue as directors of Citadel. Steve Wesson was also elected as a Citadel director. Messrs. Goldsmith, Greenwood and Perry were reelected as directors of Fidelity along with five new directors not previously associated with the Company, who were elected effective upon the Closing. Mr. James J. Cotter will continue as the Chairman of the Board of Citadel, and Norman Barker, Jr., a former Chairman of the Board of Directors of First Interstate Bank of California, became the Chairman of the Board of Fidelity.

#### Citadel Loan to Former Chief Executive Officer

As part of Mr. Greenwood's compensation package when he joined Citadel, Citadel extended an interest-free loan to Mr. Greenwood in the amount of \$240,000, payable on demand. The loan was made principally to refinance a loan extended to Mr. Greenwood by his previous employer. At the Closing, this loan was converted into a 2-year term loan, with 9% interest accrual to commence 6 months after the Closing. Accrued interest is payable monthly in arrears.

#### BUSINESS PLAN; CAPITAL RESOURCES AND LIQUIDITY OF THE COMPANY POST-CLOSING

In prior periods, Citadel has relied almost exclusively on Fidelity and Gateway for its liquidity needs. As a result of the consummation of the Restructuring and Recapitalization on August 4, 1994, Fidelity and Gateway have ceased to be subsidiaries of Citadel, and Citadel and its wholly-owned subsidiary CRI can no longer rely on these companies for liquidity.

Management of the Company is currently evaluating the assets and opportunities available to the Company with a view to developing a new business plan. Such assets include the Office Building Options, the Citadel Purchase Assets, the D & O Litigation and certain potential tax benefits. No conclusions have been reached, except that management currently anticipates that the Company will exercise the option to acquire the Glendale Building and either exercise or attempt to sell the option to acquire the Sherman Oaks Building. Subject to this uncertainty, the Company expects that its sources of funds in the near term will include cash on hand (\$1.5 million on August 5, 1994), the undrawn balance of the Craig Line of Credit, which expires on August 5, 1995 (subject to possible extension by an additional six months), and cash flow from the operations of its real estate properties, if any. See "Restructuring and Recapitalization--Craig Line of Credit" above. In addition, the Company is prohibited from selling its FFB Class B Common Stock prior to September 20, 1994 and has no right to require such stock to be registered for public distribution until the Form 10-K Filing Date (which is not expected to occur prior to March 31, 1995). In addition, Fidelity or its assignee may have a right of first refusal if more than 5% of the FFB Common Stock is sold or the purchaser would hold more than 5% of such stock after the sale. See "Restructuring and Recapitalization--Description of FFB Common Stock" for a description of the limitations on transfer of the FFB Class B Common Stock held by Citadel.

Subject to the uncertainty about the Company's business plans as discussed above, uses of funds are expected to include the exercise price of the Office Building Options, capital expenditures with respect to the Company's real estate assets, operating expenses, any amounts that may become payable under the \$4 million Bulk Sale Indemnity (see "Restructuring and Recapitalization--Third Party Bulk Sale Agreements" below) and debt service under the Craig Line of Credit and the loans obtained from Fidelity to finance the acquisition of the four Citadel Purchase Assets.

As discussed above, the Craig Line of Credit matures on August 5, 1995, subject to possible extension. All amounts outstanding thereunder will become due and payable on the maturity date, and the above sources



of funds may or may not be sufficient to make such payment. Management is currently exploring ways of raising additional cash (among other things in order to retire the Craig Line of Credit and to exercise the Office Building Options), including asset sales, refinancings and equity or debt offerings or a combination of the foregoing. The Company believes that the above sources of funds will be sufficient to cover its basic operating needs for at least 12 months; however, there can be no assurance that the Company will be able to raise additional funds sufficient to cover its other cash needs or that it will be able to do so on favorable terms.

#### FINANCIAL HIGHLIGHTS

##### Net Loss

The Company reported a net loss of \$92.0 million (\$13.95 per share) for the second quarter of 1994, and a loss of \$106.8 million (\$16.19 per share) for the six months ended June 30, 1994. This compares to a loss of \$14.8 million (\$2.24 per share) for the first quarter 1994, a loss of \$15.3 million (\$2.31 per share) for the second quarter 1993 and a loss of \$15.1 million (\$3.02 per share) for the six months ended June 30, 1993. The following table summarizes these results:

	FOR QUARTER ENDED			SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	JUNE 30, 1993
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)					
Loss before income tax-					
es.....	\$(99,667)	\$(22,675)	\$(23,497)	\$(122,342)	\$(23,121)
Net loss.....	\$(92,003)	\$(14,757)	\$(15,245)	\$(106,760)	\$(15,110)
Net loss per share.....	\$ (13.95)	\$ (2.24)	\$ (2.31)	\$ (16.19)	\$ (3.02)
Return on average equi-					
ty.....	(109.02)%	(31.25)%	(24.27)%	(87.35)%	(12.65)%
Return on average as-					
sets.....	(3.99)%	(1.33)%	(1.33)%	(3.47)%	(0.66)%

The increased net loss in the second quarter of 1994 and the six months ended June 30, 1994, as compared to the same periods in the previous year, was primarily due to the provision of \$56.5 million for losses to be incurred on the Bulk Sales and Restructuring and Recapitalization charges and expenses of \$13.2 million. For further information, see "Restructuring and Recapitalization".

##### Regulatory Capital Requirements:

At June 30, 1994, in part as a result of charges and expenses attributable to the Restructuring and Recapitalization (including provisions for losses to be incurred on the Bulk Sales), Fidelity's regulatory capital ratios were such that on August 1, 1994 (the date on which Fidelity was required to file with the OTS its Thrift Financial Report for the quarter ended June 30, 1994), the Bank was considered "critically undercapitalized" for purposes of the OTS's "prompt corrective action" ("PCA") regulations. However, the Bank's regulatory capital ratios have increased substantially since June 30 as a result of completion of the sale of FFB Class A Common Stock and FFB Class C Common Stock and other transactions forming part of the Restructuring and Recapitalization.

Based upon discussions with OTS representatives, the Bank expects that, upon delivery to the OTS from the Bank of a certificate indicating that the Bank has increased its capital ratios sufficiently to be treated as "adequately capitalized" for purposes of the PCA, the OTS will promptly notify the Bank that it is considered to be adequately capitalized and is not required to comply with the PCA restrictions and requirements discussed below under "Regulatory Capital Compliance." The Bank believes that it will be able to file such a certificate and appropriate supporting documentation upon completion of the last Bulk Sale, which is currently scheduled to close on August 23, 1994. Until the Bank receives notice from the OTS of a change in its capital category, it will remain subject to the regulatory restrictions and requirements applicable to "critically undercapitalized" institutions, including the requirement to file a capital restoration plan by September 15, 1994. See "Regulatory Capital Compliance" below.

The following table summarizes certain regulatory capital information for Fidelity as of the dates indicated:

	ADEQUATELY CAPITALIZED REQUIREMENT UNDER PCA	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993
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(DOLLARS IN THOUSANDS)

Core capital to risk-weighted assets.....	4.00%	2.76%	5.98%	7.02%
Total capital to risk-weighted assets.....	8.00%	5.23%	9.10%	10.23%
Core capital to adjusted total assets.....	4.00%	1.83%	4.04%	4.62%

For additional information, see "Regulatory Capital Compliance."

#### Asset Quality

The Bank's loan and real estate portfolio continues to be adversely affected by the high level of foreclosure activities and the continued weakness of the Southern California economy. The Northridge earthquake contributed greatly to the number of delinquencies and nonperforming assets. The following table summarizes the Bank's loan and real estate portfolio:

	JUNE 30, 1994(1)	MARCH 31, 1994	JUNE 30, 1993
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(DOLLARS IN THOUSANDS)

Nonperforming loans ("NPLs")....	\$144,746	\$139,376	\$ 96,419
Real estate owned, net of GVA ("REO").....	\$148,860	\$126,587	\$157,466
Nonperforming assets ("NPAs")....	\$293,606	\$265,963	\$253,885
Classified assets.....	\$458,628	\$390,520	\$360,562
Loan GVA.....	\$ 81,481	\$ 76,549	\$ 60,217
NPAs to total assets.....	7.27%	6.46%	5.61%
Classified assets to total assets.....	11.35%	9.48%	7.97%
NPLs to total loans.....	4.13%	3.93%	2.54%
Delinquencies to net loan portfolio			
30 to 59 days.....	1.35%	1.53%	0.40%
60 to 89 days.....	0.81	0.72	0.56
90 days and over.....	3.69	4.11	2.28
	-----	-----	-----
	5.85%	6.36%	3.24%
	=====	=====	=====

(1) Does not give effect to the Bulk Sales or the write-downs of the Bulk Sale Assets at June 30, 1994.

For further information, see "Restructuring and Recapitalization" and "Asset Quality."

## NET LOSS

The following table shows the components of net loss for the quarters ended June 30, 1994, March 31, 1994, and June 30, 1993 as well as for the six-month periods ended June 30, 1994 and 1993.

	QUARTER ENDED			SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	JUNE 30, 1993
	(DOLLARS IN THOUSANDS)				
Net interest income.....	\$ 22,488	\$ 25,411	\$ 26,931	\$ 47,899	\$ 55,721
Provision for estimated loan losses.....	(25,012)	(15,600)	(14,500)	(40,612)	(22,000)
Provision for loss on assets held for Bulk Sale.....	(56,518)	--	--	(56,518)	--
Fee income and other income.....	2,192	526	3,697	2,718	8,551
Provision for estimated real estate losses.....	(2,067)	(4,300)	(16,000)	(6,367)	(17,000)
Direct costs of real estate operations.....	(3,127)	(2,057)	(4,377)	(5,184)	(7,695)
Gains (losses) on sale of securities.....	40	(292)	3,489	(252)	3,489
Noninterest income (expense).....	(59,480)	(6,123)	(13,191)	(65,603)	(12,655)
Operating expenses.....	37,663	26,363	22,737	64,026	44,187
Loss before income taxes.....	(99,667)	(22,675)	(23,497)	(122,342)	(23,121)
Income tax benefit.....	(7,664)	(7,918)	(8,252)	(15,582)	(8,011)
Net loss.....	<u>\$ (92,003)</u>	<u>\$ (14,757)</u>	<u>\$ (15,245)</u>	<u>\$ (106,760)</u>	<u>\$ (15,110)</u>

The \$77.0 million increase in loss before income taxes for the quarter ended June 30, 1994 compared to the quarter ended March 31, 1994 primarily resulted from the combined effects of (a) the provision for loss on assets held for Bulk Sale of \$56.5 million during the second quarter; (b) increased provisions for loan losses of \$9.4 million due to the continued deterioration of assets held for Bulk Sale and the Bank's remaining loan portfolio; (c) increased operating expenses of \$11.3 million, primarily a result of \$12.2 million of Restructuring and Recapitalization related increases in consulting and legal expenses partially offset by decreased personnel and benefits expenses of \$1.0 million; and (d) decreased net interest income of \$2.9 million due to the combined effects of decreased levels of average net interest earning assets and the increased level of NPAs.

The second quarter 1994 loss before income taxes increased from the second quarter 1993 by \$76.8 million due to (a) the provision for loss on assets held for Bulk Sale of \$56.5 million during the second quarter of 1994; (b) increased provisions for loan losses of \$10.5 million due to the continued deterioration of assets held for the Bulk Sales and the Bank's remaining loan portfolio; (c) increased operating expense of \$14.9 million of which \$12.2 million consisted of Restructuring and Recapitalization related increases in consulting and legal expenses and (c) a \$4.4 million decrease in net interest income due to the combined effects of decreased levels of average net interest earning assets and the increased level of NPAs. These were partially offset by decreased provisions for real estate losses of \$13.9 million.

The increased loss before income taxes for the six months ended June 30, 1994 compared to the same period of 1993 of \$99.2 million primarily resulted from the combined effects of (a) the provision for loss on assets held for Bulk Sale of \$56.5 million during the second quarter of 1994; (b) increased operating expenses of \$19.8 million, of which \$13.2 million was caused by increased Restructuring and Recapitalization related consulting and legal expenses; (c) increased provisions for loan losses of \$18.6 million due to the continued deterioration of assets held for the Bulk Sales and the Bank's remaining loan portfolio; (d) decreased interest income of \$7.8 million due to the combined effects of decreased levels of average net interest earning assets and the increased level of NPAs; and (e) decreased fee and other income of \$5.8 million consisting primarily of a \$5.0 million decrease in loan sale gains. These increases were partially offset by decreased provisions for real estate losses of \$10.6 million.

The combined federal and state statutory tax rate of the Company during 1993 and the first six months of 1994 was approximately 42.5% of pre-tax income. The Company's actual effective tax rate of 34.9% on pre-tax losses in the first quarter of 1994 reflects limitations on the recognition of federal and state net operating loss carry forwards for financial reporting purposes, partially offset by an increase in tax benefits resulting from favorable court decisions, income tax regulations and IRS revenue procedures that reduced the Company's previously accrued liability for income taxes. In comparison, the actual effective tax rate of 7.7% on pre-tax losses in the second quarter of 1994 reflects additional limitations concerning the recognition of federal and state net operating loss carry forwards, partially offset, but to a lesser extent than in the previous quarter, by an increase in tax benefits due to a reduction of previously accrued liabilities for income taxes. The actual effective tax rate of 35.1% on pre-tax losses in the second quarter of 1993 results from limitations on the recognition of state net operating loss carry forwards.

The actual effective tax rate of 12.7% on pre-tax losses in the first six months of 1994 was less than the actual effective tax rate of 34.6% on pre-tax losses in the first six months of 1993 as a result of limitations on the recognition of federal and state net operating loss carry forwards for financial reporting purposes.

As a consequence of the deconsolidation of the Company's investment in the Bank within the current year, the net operating losses of the Bank generated prior to the deconsolidation will offset taxable income of Citadel, if any, generated in the remainder of the year. Net operating loss carryforwards and other tax attributes of the Company remaining at year end will be apportioned between Citadel and the Bank based upon their proportionate contributions to such items. Additionally, the Citadel Purchase Assets will retain the Company's historical tax bases which are higher than the purchase price of such assets. Citadel's allocation of the Company's remaining tax benefits is not expected to be significant. Excluding the impact of basis differences of the Citadel Purchase Assets and limitations on the recognition of net operating loss carry forward benefits, Citadel's effective tax rate for subsequent years is expected to approximate the combined federal and state statutory tax rates for non-financial institutions of 41%.

#### NET INTEREST INCOME

Net interest income is the difference between interest earned on loans, mortgage-backed securities and investment securities ("interest-earning assets") and interest paid on savings deposits and borrowings ("interest-bearing liabilities").

Decreases in net interest income can be caused by the following two factors: (a) the difference between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities ("interest rate margin") declines; and (b) the excess of interest-earning assets over interest bearing liabilities ("net earning balance") declines.

The following table displays the components of the Bank's interest rate margin at the end of, and for each period, as well as the effective yield for each period.

	AT OR FOR THE QUARTER ENDED						AT OR FOR THE SIX MONTHS ENDED	
							JUNE 30, 1993	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	1994	1993
RATE AT END OF PERIOD	RATE FOR THE PERIOD	RATE AT END OF PERIOD	RATE FOR THE PERIOD	RATE AT END OF PERIOD	RATE FOR THE PERIOD	RATE FOR THE PERIOD	RATE FOR THE PERIOD	RATE FOR THE PERIOD
Weighted average yield on:								
Loans.....	6.05%	6.41%	6.35%	6.48%	6.93%	6.92%	6.45%	7.08%
Mortgage-backed securities.....	5.25	5.22	5.31	5.71	5.80	5.97	5.54	5.99
Investments.....	4.99	5.50	4.59	4.94	4.75	4.27	5.25	3.77
	----	----	----	----	----	----	----	----
Combined loans and investments.....	6.00	6.34	6.26	6.39	6.76	6.75	6.37	6.88
	----	----	----	----	----	----	----	----
Weighted average cost of:								
Deposits.....	3.54	3.58	3.51	3.65	3.86	3.93	3.62	4.00
Borrowings.....	5.32	5.35	4.94	4.92	5.13	5.53	5.15	5.77
	----	----	----	----	----	----	----	----
Combined deposits and borrowings.....	3.97	4.00	3.79	3.91	4.17	4.35	3.96	4.45
	----	----	----	----	----	----	----	----
Interest rate margin....	2.03%	2.34%	2.47%	2.48%	2.59%	2.40%	2.41%	2.43%
	====	====	====	====	====	====	====	====
Effective yield.....	2.02%	2.34%	2.46%	2.49%	2.53%	2.46%	2.41%	2.50%
	====	====	====	====	====	====	====	====

The \$2.9 million decrease in net interest income between the second quarter of 1994 and the first quarter of 1994 was primarily the result of (a) a 4.6% decline in the average level of interest-earning assets, reducing interest income by \$3.0 million; (b) the lag in the adjustment of loan interest rates that are tied to the 11th District Cost of Funds Index of the Federal Home Loan Bank of San Francisco ("COFI") and increasing costs of funds, reducing net interest income by \$1.2 million; and (c) an increase in interest expense of \$0.4 million due to one additional day in the second quarter. These items were partially offset by a 4.5% decline in the average level of interest-bearing liabilities, reducing interest expense by \$1.7 million.

The \$4.4 million decrease in net interest income between the second quarter of 1994 and the second quarter of 1993 was primarily the result of (a) a 12.4% decline in the average level of interest-earning assets, reducing interest income by \$8.6 million, and (b) the lag in the adjustment of loan interest rates that are tied to COFI, reducing interest income by \$4.5 million. These items were partially offset by a 11.3% decline in the average level of interest-bearing liabilities, reducing interest expense by \$5.5 million and a decrease of 35 basis points in the cost of funds, reducing interest expense by \$3.2 million.

The \$7.8 million decrease in net interest income between the six months ended June 30, 1994 and the six months ended June 30, 1993 primarily was the result of (a) an 11.3% decline in the average level of interest-earning assets, reducing interest income by \$16.2 million, and (b) the lag in the adjustment of loan interest rates that are tied to COFI, reducing interest income by \$11.0 million. These items were partially offset by a 10.0% decline in the average level of interest-bearing liabilities, reducing interest expense by \$10.2 million, and a decrease of 49 basis points in the cost of funds, reducing interest expense by \$9.2 million.

#### NONINTEREST INCOME

Noninterest income has three major components: (a) income from ongoing operations, which includes loan fee income, gains or losses on the sale of loans, fees earned on the sale of securities and annuities and

service charges on transaction accounts, (b) income/expenses associated with owned real estate, which includes both the provision for real estate losses as well as income/expenses experienced by the Bank related to the operations of its owned real estate properties (e.g., maintenance expenses, capital expenditures and payment of current and delinquent property taxes), (c) gain and loss on the sale of investment securities and mortgage-backed securities and (d) for the quarter ended June 30, 1994, the provision for loss on assets held for Bulk Sale. Items (b) and (c) can fluctuate widely, and could therefore mask the underlying fee generating performance of the Company on an ongoing basis. The Bulk Sales loss is related to the Restructuring and, therefore, there was no comparable loss in any of the comparison periods. The following table details noninterest income/expense for these periods:

	QUARTER ENDED			SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	JUNE 30, 1993
	(DOLLARS IN THOUSANDS)				
Loan fee income.....	\$ 814	\$ 1,079	\$ 1,067	\$ 1,893	\$ 2,981
Gains (losses) on sales of loans, net.....	(1,528)	(2,804)	225	(4,332)	620
Fee income from investment products.....	1,698	1,225	1,313	2,923	2,966
Fee income from deposits and other income.....	1,208	1,026	1,092	2,234	1,984
Noninterest income from ongoing operations.....	2,192	526	3,697	2,718	8,551
Provision for estimated real estate losses.....	(2,067)	(4,300)	(16,000)	(6,367)	(17,000)
Direct costs of real estate operations, net.....	(3,127)	(2,057)	(4,377)	(5,184)	(7,695)
	(5,194)	(6,357)	(20,377)	(11,551)	(24,695)
Gains (losses) on sales of mortgage-backed securities, net.....	16	(621)	1,543	(605)	1,543
Gains on sales of investment securities, net.....	24	329	1,946	353	1,946
	40	(292)	3,489	(252)	3,489
Provision for loss on assets held for Bulk Sales.....	(56,518)	--	--	(56,518)	--
Total noninterest income.	\$(59,480)	\$(6,123)	\$(13,191)	\$(65,603)	\$(12,655)

Fee and other noninterest income from ongoing operations increased by \$1.7 million from \$0.5 million for the first quarter 1994 to \$2.2 million in the second quarter 1994. This increase was primarily due to a decrease in the losses on sales of loans from a loss of \$2.8 million for the first quarter 1994 to a loss of \$1.5 million in the second quarter. Beginning in the first quarter 1994 and continuing into the second quarter 1994, the Bank sold loans for capital planning purposes. During the first quarter 1994, the Bank sold \$155.3 million in performing single family and multifamily 2-4 unit loans in one transaction at a loss of \$1.9 million and there was no comparable sale of this size in the second quarter 1994.

Expenses related to owned real estate decreased by \$1.2 million from \$6.4 million in the first quarter 1994 to \$5.2 million in the second quarter 1994. This change was the net result of a \$2.2 million decrease in provision for real estate losses due primarily to the pending Bulk Sales partially offset by increased foreclosure and property rehabilitation expenses.

Fee and other noninterest income from ongoing operations decreased by \$1.5 million from \$3.7 million for the second quarter 1993 to \$2.2 million in the second quarter 1994. This decrease was primarily due to a \$1.8 million decrease in the gains on sales of loans from a gain of \$0.2 million for the second quarter 1993 to a loss of \$1.5 million in the second quarter 1994. The decrease in the gain on loan sales was the result of the Bank's sale of loans for capital planning purposes during a period of rising interest rates.

Expenses related to owned real estate decreased by \$15.2 million from \$20.4 million in the second quarter 1993 to \$5.2 million in the second quarter 1994. This change was the result of a \$13.9 million decrease in provision for real estate losses due to decreased REO sales and resultant decreased need to replenish reserves and decreased direct costs of real estate operations of \$1.3 million due to more profitable real estate operations

as a result of longer property holding periods. Gains on sales of investment and mortgage-backed securities declined as a result of higher sales activity during the first quarter than during the second quarter of 1994. Sales during the first quarter of 1994 were made primarily for capital planning purposes.

Noninterest income from ongoing operations decreased by \$5.9 million from \$8.6 million for the six months ended June 30, 1993 to \$2.7 million for the same period of 1994. This decrease was primarily due to a \$5.0 million decrease in the gains on sales of loans from a gain of \$0.6 million for the six months ended June 30, 1993 to a loss of \$4.3 million in the same period of 1994. The decrease in the gain on loan sales was the result of the Bank's sale of loans for capital planning purposes during a period of rising interest rates.

Expenses related to owned real estate decreased by \$13.1 million from \$24.7 million in the six months ended June 30, 1993 to \$11.6 million in the same period of 1994. This change was the result of a \$10.6 million decrease in provision for real estate losses due to decreased REO sales and resultant decreased need to replenish reserves and decreased direct costs of real estate operations of \$2.5 million due to improved property management and longer property holding periods.

Gains on sales of investment and mortgage-backed securities declined as a result of higher sales activity during the first six months of 1993 than during the first six months in 1994. Sales during both periods were made primarily for capital planning purposes.

The following table presents the sales of investment products and the related fee income for the quarters ended June 30, 1994, March 31, 1994 and June 30, 1993, as well as the six-month periods ended June 30, 1994 and 1993:

	QUARTER ENDED		SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994

(DOLLARS IN THOUSANDS)

Sales of investment and annuity products.....	\$36,595	\$24,713	\$29,924	\$61,308	\$66,256
Fee income from the sales of investment and annuity products...	\$ 1,698	\$ 1,225	\$ 1,313	\$ 2,923	\$ 2,966

Foreclosure activities continued to remain high during the first six months of 1994, resulting in an increase in REO, both in terms of numbers of properties and total dollars. During the six months ended June 30, 1994 and 1993, the Bank foreclosed on 178 and 142 properties, respectively, with a gross book value of \$81 million and \$123 million, respectively. The following table provides a comparison of the net book value and number of properties at given dates:

	JUNE 30, 1994 COMPARED TO DECEMBER 31, 1993	JUNE 30, 1993 COMPARED TO DECEMBER 31, 1992
--	---	---

(DOLLARS IN THOUSANDS)

Owned real estate, net book value:		
June 30, 1994 and 1993, respectively(1)(2).....	\$148,860	\$168,468
December 31, 1993 and 1992, respectively(2).....	153,307	133,255
Increase (Decrease).....	\$ (4,447)	\$ 35,213
Number of real estate properties owned:		
June 30, 1994 and 1993, respectively.....	313	227
December 31, 1993 and 1992, respectively(2).....	240	170
Increase.....	73	57

(1) The June 30, 1994 balance reflects write-downs on Bulk Sale Assets recorded at June 30, 1994. If the owned real estate balance were not to reflect such write-downs, the increase over the December 31, 1993 balance would be \$7.2 million.

(2) Includes 29 loans considered ISF totaling \$28.4 million at December 31, 1993, 8 loans amounting to \$23.8 million at June 30, 1993 and 22 loans amounting to \$47.3 million at December 31, 1992. The ISF designation was effectively eliminated upon the Company's implementation of SFAS No. 114 issued by the Financial Accounting Standards Board in the first quarter of 1994, and loans that would have been considered ISF are included in the loan category beginning in 1994.

The Bank has a policy of providing general valuation allowances for both estimated loan and real estate losses, in addition to valuation allowances on specific loans and REO, in response to the continuing deterioration of the quality of the Bank's loan and REO portfolio. See "Asset Quality" below for further detail.

#### OPERATING EXPENSES

The following table details the operating expenses for the three-month periods ended June 30, 1994, March 31, 1994 and June 30, 1993 as well as the six months ended June 30, 1994 and June 30, 1993:

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	JUNE 30, 1993
(DOLLARS IN THOUSANDS)					
Personnel and benefits.....	\$12,529	\$13,497	\$11,497	\$26,026	\$23,190
Occupancy.....	3,707	3,516	3,134	7,223	6,159
FDIC insurance.....	2,482	2,482	1,886	4,964	3,773
Professional services.....	2,912	2,661	2,609	5,573	4,264
Office-related expenses.....	1,431	1,632	1,490	3,063	2,861
Marketing expenses.....	952	648	862	1,600	1,545
Restructuring and Recapitalization charges and expenses.....	12,242	968	--	13,210	--
Other general and administrative.	1,887	1,578	1,674	3,465	3,120
Total before capitalized costs.	38,142	26,982	23,152	65,124	44,912
Capitalized costs.....	(479)	(619)	(415)	(1,098)	(725)
Total operating expenses.....	\$37,663	\$26,363	\$22,737	\$64,026	\$44,187
Operating expense ratio(1)...	2.82%	2.43%	1.98%	2.78%	1.92%
Adjusted operating expense ratio(2).....	2.51%	2.41%	1.98%	2.46%	1.92%

- (1) The operating expense ratio is computed by dividing annualized operating expenses by average total assets.  
(2) Annualized operating expenses, net of restructuring and recapitalization related charges and expenses, divided by average total assets.

Operating expenses increased by \$11.3 million between the first and second quarters of 1994 primarily due to charges and expenses related to the Restructuring and Recapitalization. The Restructuring and Recapitalization also was primarily responsible for the large increase in operating expenses between the second quarter 1994 and the same period in 1993. Operating expenses increased by \$15.0 million from \$22.7 million for the second quarter 1993 to \$37.7 million in the same period of 1994. Major components of the increase were (a) a \$12.2 million increase in Restructuring and Recapitalization related consulting, legal and other expenses; and (b) a \$1.0 million increase in personnel and benefits expenses caused by increased severance payments and other employee-related costs.

The Restructuring and Recapitalization also was primarily responsible for the large increase in operating expenses between the six months ended June 30, 1994 and the same period in 1993. Operating expenses



increased by \$19.8 million from \$44.2 million for the six months ended June 30, 1993 to \$64.0 million in the same period of 1994. The components of the increase are (a) a \$13.2 million increase in Restructuring and Recapitalization related consulting, legal and other expenses; and (b) a \$2.8 million increase in personnel and benefits expenses primarily caused by increased severance payments and other employee-related costs.

The increase in operating expenses combined with the decrease in the total average asset size of the Company (from \$4.6 billion at June 30, 1993 to \$4.1 billion at June 30, 1994) resulted in an increase in the annualized operating expense ratio from 1.98% for the second quarter of 1993 to 2.43% for the first quarter 1994 and to 2.82% for the second quarter of 1994. Without the Restructuring and Recapitalization related expenses, these ratios would have been 1.98%, 2.41% and 2.51%, respectively.

Due to the sensitivity of the operating expense ratio to changes in the size of the balance sheet, management also looks at trends in the efficiency ratio to assess the changing relationship between operating expenses and income. The efficiency ratio measures the amount of cost expended by the Bank to generate a given level of revenues in the normal course of business. It is computed by dividing total operating expense by net interest income and noninterest income from ongoing operations, excluding nonrecurring items.

The general increase in the Company's efficiency ratio has been attributable to asset quality problems adversely affecting two of the components of the efficiency ratio: reduced net interest income via an increase in NPAs, which result in a decrease in interest-bearing assets and lower asset yield; and higher operating expenses due to increased staffing levels in the real estate asset and credit management group. Operating expenses also increased as a result of increased staffing in the retail financial services network and mortgage banking network and due to increased professional services.

	QUARTER ENDED			SIX MONTHS ENDED	
	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993	JUNE 30, 1994	JUNE 30, 1993
Efficiency Ratio.....	103.00%	97.91%	74.24%	100.39%	68.75%

#### ASSET QUALITY

The Bank is principally involved in the Southern California single family and multifamily (2 units or more) residential lending businesses. At June 30, 1994, 20.0% of Fidelity's real estate loan portfolio (including loans held for sale) consisted of California single family residences while another 71.6% consisted of California multifamily dwellings. At June 30, 1993, 19.9% of Fidelity's loan portfolio consisted of California single family residences and 71.5% consisted of California multifamily dwellings. Current Southern California economic conditions have adversely impacted the credit risk profile of the Company's loan portfolio.

The Bank's performance continues to be adversely affected by increased foreclosure activities reflecting the continued weakness of the Southern California economy and a depressed real estate market. Asset quality details of Fidelity before giving effect to the Bulk Sales, which are discussed more fully below, are as follows:

	JUNE 30, 1994	MARCH 31, 1994	JUNE 30, 1993
(DOLLARS IN THOUSANDS)			
<b>NPAs:</b>			
Nonaccruing loans.....	\$144,746	\$139,376	\$ 96,419
In-substance foreclosures ("ISFs")(1).....	--	--	23,822
REO held for Bulk Sales .....	133,204	--	--
REO, before REO GVA.....	16,363	135,111	148,033
REO GVA.....	(707)	(8,524)	(14,389)
<b>Total NPAs.....</b>	<b>\$293,606</b>	<b>\$265,963</b>	<b>\$253,885</b>
Nonaccruing loans to total assets.....	3.58%	3.38%	2.13%
NPAs to total assets.....	7.27%	6.46%	5.61%
<b>NPAs and Troubled Debt Restructurings ("TDRs"):</b>			
NPAs.....	\$293,606	\$265,963	\$253,885
Classified TDRs.....	68,799	20,236	29,504
Nonclassified TDRs.....	10,076	13,595	16,131
<b>Total NPAs and TDRs.....</b>	<b>\$372,481</b>	<b>\$299,794</b>	<b>\$299,520</b>
TDRs to total assets.....	1.95%	0.82%	1.01%
NPAs and TDRs to total assets.....	9.21%	7.28%	6.62%
<b>Criticized Assets:</b>			
NPAs.....	\$293,606	\$265,963	\$253,885
Performing loans with increased risk.....	153,340	112,787	95,975
Investment real estate held for Bulk Sales....	11,682	11,770	10,702
<b>Total classified assets.....</b>	<b>458,628</b>	<b>390,520</b>	<b>360,562</b>
Special mention assets.....	216,084	311,758	212,495
<b>Total criticized assets.....</b>	<b>\$674,712</b>	<b>\$702,278</b>	<b>\$573,057</b>
Classified assets to total assets.....	11.34%	9.48%	7.97%
Criticized assets to total assets.....	16.68%	17.06%	12.66%
<b>Nonperforming Asset Ratios:</b>			
REO and ISF to NPAs.....	50.70%	47.60%	62.02%
REO to NPAs(1).....	50.70%	47.60%	52.64%
Nonaccruing loans to NPAs(1).....	49.30%	52.40%	37.98%
ISF to NPAs.....	--	--	9.38%

(1) In January 1994, the Bank implemented SFAS 114, "Accounting by Creditors for Impairment of a Loan." Loans previously considered ISF are now reclassified as nonaccruing loans.

Nonaccruing loans increased to \$144.7 million at June 30, 1994 from \$139.4 million at March 31, 1994, as compared to \$93.5 million at December 31, 1993 and \$96.4 million at June 30, 1993. The substantial increase of \$51.3 million from December 1993 to June 1994 is attributable partly to the Company's implementation of SFAS No. 114 on January 1, 1994 which resulted in ISFs being reclassified as loans instead of REO. However, a more significant factor in the increase in nonaccruing loans was the continuing weakness of the Southern California economy which resulted in lower rental rates and increased vacancies in apartment units and declining real estate prices.

REO (excluding ISF) increased to a level of \$149.6 million at June 30, 1994, including REO held for the Bulk Sales, from \$135.1 million at March 31, 1994 and \$148.0 million in June 30, 1993. The increase in REO

primarily resulted from the Bank's slowdown in disposition of REO properties due to implementation of the Restructuring plan and the Bulk Sales.

TDRs increased by \$33.2 million between June 30, 1994 and June 30, 1993 primarily as a result of modifications completed related to the Northridge earthquake.

Classified assets increased by \$98.1 million from June 30, 1993 to June 30, 1994 primarily because of an increase in nonperforming assets and performing loans with increased risk.

As discussed elsewhere in this document, the Bank has entered into Bulk Sale Agreements with respect to problem and other assets with a net book value as of June 30, 1994 of \$438.6 million (prior to associated write downs). The Bank's asset quality data, as adjusted to give effect to the Bulk Sales as of June 30, 1994 is as follows:

	AS ADJUSTED
	-----
	JUNE 30, 1994(2)
	-----
	(DOLLARS IN THOUSANDS)
NPAs.....	\$ 73,436
NPLs(1).....	57,074
REO, net of REO GVA.....	15,656
Classified assets.....	145,291
Criticized assets.....	302,000
Loan GVA.....	60,000
NPAs to total assets.....	1.99%
REO to NPAs.....	22.28%
Nonaccruing loans to NPAs.....	77.73%

- - - - -  
 (1) Net of interest reserve.

(2) NPAs, NPLs, REO, classified assets and criticized assets shown in this table are net of specific reserves.

At August 18, 1994, Bulk Sales involving assets with a net book value as of June 30, 1994 (prior to associated write downs) of \$106.9 million had been consummated.

Total loan delinquencies as adjusted for earthquake accommodations were \$209.4 million at June 30, 1994, a decrease of \$16.5 million from \$225.9 million, as adjusted for earthquake accommodations, at March 31, 1994. Loan delinquencies increased by \$86.4 million between June 30, 1994 and June 30, 1993.

The following table presents delinquencies of the respective loan portfolios as of the dates indicated, which in the case of delinquencies as of March 31, 1994 and June 30, 1994 gives effect to earthquake accommodations with the respective borrowers:

NET LOAN DELINQUENCIES TO NET REAL ESTATE LOAN PORTFOLIO				
	JUNE 30, 1994(1)	MARCH 31, 1994	DECEMBER 31, 1993	JUNE 30, 1993
(DOLLARS IN THOUSANDS)				
Delinquencies by number of days:				
30-59 days.....	1.35%	1.53%	0.92%	0.40%
60-89 days.....	0.81	0.72	0.64	0.56
90 days and over.....	3.69	4.11	2.15	2.28
-----				
Loan delinquencies to net loan portfolio.....	5.85%	6.36%	3.71%	3.24%
=====				
Delinquencies by property type:				
Single family:				
30-59 days.....	\$ 5,168	\$ 9,223	\$ 7,480	\$ 5,507
60-89 days.....	5,128	5,239	2,497	4,013
90 days and over.....	17,178	19,162	12,661	13,353
	-----	-----	-----	-----
	27,474	33,624	22,638	22,873
-----				
Percent to respective loan portfolio.....	3.74%	4.85%	2.85%	2.86%
Multifamily (2 to 4 units):				
30-59 days.....	2,302	3,158	3,599	1,204
60-89 days.....	1,477	2,775	1,707	2,004
90 days and over.....	16,786	18,765	15,652	12,316
	-----	-----	-----	-----
	20,565	24,698	20,958	15,524
-----				
Percent to respective loan portfolio.....	4.69%	5.63%	4.16%	3.04%
Multifamily (5 to 36 units):				
30-59 days.....	27,425	17,935	16,948	5,779
60-89 days.....	14,362	13,120	12,770	15,293
90 days and over.....	64,982	71,096	34,746	42,260
	-----	-----	-----	-----
	106,769	102,151	64,464	63,332
-----				
Percent to respective loan portfolio.....	6.04%	5.71%	3.60%	3.43%
Multifamily (37 units and over):				
30-59 days.....	8,430	17,585	4,114	2,286
60-89 days.....	7,376	--	5,035	--
90 days and over.....	26,988	32,813	4,358	13,405
	-----	-----	-----	-----
	42,794	50,398	13,507	15,691
-----				
Percent to respective loan portfolio.....	10.66%	12.30%	3.35%	3.75%
Commercial & Industrial:				
30-59 days.....	5,069	6,381	2,048	350
60-89 days.....	676	4,321	1,723	--
90 days and over.....	6,092	4,358	12,443	5,284
	-----	-----	-----	-----
	11,837	15,060	16,214	5,634
-----				
Percent to respective loan portfolio.....	4.02%	4.98%	5.45%	1.73%
Total Loan Delinquencies, net.....	\$209,439	\$225,931	\$137,781	\$123,054
=====				

(1) Gives effect to accommodations agreed to by the Bank with respect to a pool of 494 earthquake-affected loans identified by the Bank as warranting accommodation. At August 1, 1994, accommodation agreements with respect to 81 loans with a net book value of \$39.1 million had not been completed. Of those loans, 25 loans with a net book value of \$11.5 million were delinquent by 90 days or more under their original terms.

Loan delinquencies at June 30, 1994, as adjusted to give effect to the Bulk Sales and earthquake accommodations, are as follows:

	BALANCE AT JUNE 30, 1994 AS ADJUSTED FOR EARTHQUAKE ACCOMMODATIONS(1)	IMPACT OF BULK SALES(2)	AS ADJUSTED BALANCE AT JUNE 30, 1994
(DOLLARS IN THOUSANDS)			
<b>30-59 DAYS</b>			
Single Family Residence.....	\$ 5,168	\$ (283)	\$ 4,885
Multifamily			
2-4 Units.....	2,302	--	2,302
5-36 Units.....	27,425	(1,839)	25,586
37 Units and over.....	8,430	(1,035)	7,395
	-----	-----	-----
	38,157	(2,874)	35,283
	-----	-----	-----
Commercial & Industrial.....	5,069	--	5,069
	-----	-----	-----
	\$ 48,394	\$ (3,157)	\$ 45,237
	=====	=====	=====
<b>60-89 DAYS</b>			
Single Family Residence.....	\$ 5,128	\$ (215)	\$ 4,913
Multifamily			
2-4 Units.....	1,477	(418)	1,059
5-36 Units.....	14,362	(1,928)	12,434
37 Units and over.....	7,376	(1,452)	5,924
	-----	-----	-----
	23,215	(3,798)	19,417
	-----	-----	-----
Commercial & Industrial.....	676	(676)	--
	-----	-----	-----
	\$ 29,019	\$ (4,689)	\$ 24,330
	=====	=====	=====
<b>90 DAYS AND OVER</b>			
Single Family Residence.....	\$ 17,178	\$ (9,377)	\$ 7,801
Multifamily			
2-4 Units.....	16,786	(11,510)	5,276
5-36 Units.....	64,982	(31,714)	33,268
37 Units and over.....	26,988	(16,927)	10,061
	-----	-----	-----
	108,756	(60,151)	48,605
	-----	-----	-----
Commercial & Industrial.....	6,092	(5,743)	349
	-----	-----	-----
	\$132,026	\$(75,271)	\$ 56,755
	=====	=====	=====
<b>TOTAL DELINQUENT LOANS</b>			
Single Family Residence.....	\$ 27,474	\$ (9,875)	\$ 17,599
Multifamily			
2-4 Units.....	20,565	(11,928)	8,637
5-36 Units.....	106,769	(35,481)	71,288
37 Units and over.....	42,794	(19,414)	23,380
	-----	-----	-----
	170,128	(66,823)	103,305
	-----	-----	-----
Commercial & Industrial.....	11,837	(6,419)	5,418
	-----	-----	-----
	\$209,439	\$(83,117)	\$126,322
	=====	=====	=====

(1) Gives effect to accommodations agreed to by the Bank with respect to a pool of 494 earthquake-affected loans identified by the Bank as warranting accommodation. At August 1, 1994, accommodation agreements with respect to 81 loans with a net book value of \$39.1 million had not been completed. Of those loans, 25 loans with a net book value of \$11.5 million were delinquent by 90 days or more under their original terms.

(2) Bulk Sales impact only contemplates the impact of the Bulk Sales as described in this document and does not reflect any other sales activity or additions to loans after June 30, 1994. Bulk Sales impact has been adjusted for earthquake accommodations, where applicable.

California has been hit particularly hard by the current recession and Southern California has experienced the brunt of the economic downturn in the state. The Southern California economy remains sluggish with higher unemployment than elsewhere in the country and real estate values that, in many cases, continue to deteriorate. There can be no assurances that these economic conditions will improve in the near future. Consequently, rents and real estate values may continue to decline which may affect future delinquency and foreclosure levels and may adversely impact the Bank's asset quality, earnings performance and capital.

In response to the deterioration of the Bank's portfolio and increased delinquencies, the Bank recorded additions to its allowances for estimated loan and real estate losses totaling \$27.1 million for the three months ended June 30, 1994. In the opinion of the Bank, this deterioration is caused by: (a) the decline in apartment occupancy levels and of rents available to apartment owners in Southern California; (b) the increased returns currently being required by purchasers of multifamily-income producing properties; (c) announced cut-backs in public sector spending; (d) the general illiquidity in the Southern California market for multifamily-income producing properties; (e) the continuing high level of unemployment in and migration of skilled and white collar labor from Southern California; and (f) the Northridge earthquake of January 17, 1994 and the subsequent aftershocks. The Bank's combined GVA for loan and real estate losses at June 30, 1994, after reduction for GVA allocated to the Bulk Sales was \$60.7 million or 1.6% of total loans and real estate, a decrease of \$24.4 million from \$85.1 million or 2.3% at March 31, 1994 and \$75.0 million or 1.9% at June 30, 1993. As adjusted for the Bulk Sales, the Bank's combined GVA for loan and real estate losses at June 30, 1994 was 81.9% of NPAs as so adjusted, which is up from 31.0% at March 31, 1994 and 28.2% at June 30, 1993.

The following table summarizes Bank's reserves, writedowns and certain coverage ratios for the periods indicated:

	JUNE 30, 1994	MARCH 31, 1994	DECEMBER 31, 1993	JUNE 30, 1993
(DOLLARS IN THOUSANDS)				
Loans:				
GVA.....	\$ 60,000	\$ 76,549	\$ 71,578	\$ 60,217
Specific reserves.....	8,692	14,819	12,254	8,433
Total allowance for estimated losses (1)(5).....	\$ 68,692	\$ 91,368	\$ 83,832	\$ 68,650
Writedowns (2).....	\$ 64,823	\$ 31,238	\$ 4,251	\$ 4,271
Total allowance and loan writedowns to gross loans.....	3.66%	3.33%	2.32%	1.87%
Total loan allowance to gross loans (5).....	1.88%	2.50%	2.21%	1.76%
Loan GVA to loans and ISF (3)(5).....	1.68%	2.11%	1.88%	1.55%
Loan GVA to nonaccruing loans and ISF (3)(5).....	41.45%	54.92%	58.75%	50.08%
Nonperforming loans to total loans (3).....	4.12%	3.93%	2.52%	2.54%
Owned Real Estate:				
REO GVA.....	\$ 707	\$ 8,524	\$ 8,442	\$ 15,370
Specific reserves.....	1,917	11,941	9,273	6,055
Total allowance for estimated losses (5).....	\$ 2,624	\$ 20,465	\$ 17,715	\$ 21,425
Writedowns (2).....	\$ 92,541	\$ 66,117	\$ 90,901	\$ 96,687
Total REO allowance and REO writedowns to gross REO.....	38.26%	37.59%	37.41%	36.20%
Total REO allowance to gross REO (5).....	1.18%	13.92%	13.47%	13.27%
REO GVA to REO (5).....	0.51%	6.31%	6.91%	9.72%
Total Loans and REO:				
GVA.....	\$ 60,707	\$ 85,073	\$ 80,020	\$ 75,587
Specific reserves.....	10,609	26,760	21,527	14,488
Total allowance for estimated losses (5).....	\$ 71,316	\$111,833	\$101,547	\$ 90,075
Writedowns (2).....	\$157,364	\$ 97,355	\$ 95,152	\$100,985
Total allowance and writedowns to gross loans, REO and ISF (3).....	5.65%	5.38%	4.61%	4.58%
Total allowance to gross loans, REO and ISF (5).....	1.92%	2.94%	2.57%	2.19%
Total GVA to loans, REO and ISF (4)(5).....	1.64%	2.26%	2.03%	1.87%
Total GVA to NPAs (3)(5).....	20.63%(6)	30.96%	32.79%	28.18%

- - - - -
- (1) Includes \$4.2 million of general and specific reserves allocated to loans held for sale at June 30, 1994.
  - (2) Writedowns include cumulative charge-offs on outstanding loans and REO as of the date indicated.
  - (3) In 1994, the Bank implemented SFAS 114. Loans that would have been considered ISF in prior periods are included in loans beginning in 1994.
  - (4) Loans and REO in these ratios as calculated prior to their reduction for loan and REO GVA, but are net of specific reserves and write downs.
  - (5) As of June 30, 1994, total allowances for estimated losses have been reduced by the amounts of GVA and specific reserves charged off related to Bulk Sale Assets, which are reflected net of such writedowns for ratio computation purposes.
  - (6) Giving effect to the Bulk Sales as of June 30, 1994, GVA was 81.9% of NPAs as so adjusted.

As of June 30, 1994, the Bank's 15 largest borrowers accounted for \$236.9 million of gross loans, or 6.47 % of total loans. A number of these borrowing relationships also include Fidelity's largest loans. Details of these relationships follow:

BORROWER	NUMBER OF LOANS	TOTAL AMOUNT OF LOANS(1)	LARGEST SINGLE LOAN(1)
(DOLLARS IN THOUSANDS)			
1	2	\$ 32,593	\$32,555
2	8	26,848(1)	11,122
3	26	26,495(1)	2,477
4	3	23,636	14,913
5	3	20,167(1)	13,421
6	1	13,816	13,816
7	3	13,692	13,565
8	2	11,237	5,788
9	3	11,018	6,802
10	1	10,179	10,179
11	9	10,128(1)	3,448
12	1	9,976	9,976
13	49	9,242(1)	813
14	1	9,198	9,198
15	3	8,671(1)	7,468
		-----	
		\$236,896(2)	
		=====	

(1) Amounts are shown net of participations.

(2) \$142.7 scheduled to be sold as part of the Bulk Sales.

Fidelity's 10 largest loans include those loans shown in the table above with balances of \$7.5 million or greater. Fidelity's 10 largest loans aggregated \$136.2 million at June 30, 1994, of which \$57.2 million was classified as substandard and \$10.2 million was listed as special mention.

Prior to January 1, 1994, the largest borrower's loans were considered ISF by the Bank. This borrower's two loans totaling approximately \$32.6 million are comprised of a term loan of \$32.5 million and a revolving line of credit with an outstanding balance of \$40,000. Securing the loans is a 144 unit condominium complex located in Kailua-Kona, Hawaii. However, the property is currently being operated as a hotel. The term loan provides that the total principal and interest payments due may not exceed \$64 million. Pursuant to the provisions of the term loan, the borrower makes payments only to the extent that the hotel operations have net operating income. As of June 30, 1994, the accrued interest on the term loan totaled \$31.4 million. As a result, the total principal and interest due has reached the maximum amount. The principal amount of the revolving line may not exceed \$1.0 million. Both loans are due in 1999.

At June 30, 1994, Fidelity had \$26.8 million in total loans outstanding to its second largest borrower consisting of 8 loans secured by multifamily apartment dwellings located in the San Fernando Valley area. During the first six months of 1994, Fidelity entered into modification agreements with this borrower on five of these loans. Pursuant to these modifications, the borrower will make interest only payments through December 31, 1994. Fidelity is currently in negotiations to modify two additional loans with this borrower requiring the consent of an 80% participant. At June 30, 1994, all the borrower's loans were current.

At June 30, 1994, Fidelity had \$26.5 million in total loans outstanding to its third largest borrower consisting of 26 loans secured by multifamily apartment dwellings located in the San Gabriel Valley and eastern Los Angeles areas. During the first six months of 1994, the Bank modified 24 loans totaling \$6.9 million to allow the borrower to make interest only payments. The borrower also has the option to reduce principal by 10% to 15% with Fidelity matching the reduction through debt forgiveness. Also, in the first six



months of 1994, the Bank foreclosed on 6 properties owned by the borrower securing loans of \$6.3 million. The Bank is continuing efforts to modify the remaining loans.

Substantially all of the loans of the three largest borrowers described above are expected to be disposed of in the Bulk Sales.

During the six months ended June 30, 1994, the Bank charged off a total of \$25.6 million on loans and real estate, not including charge-offs related to the Bulk Sales, compared to \$30.6 million for the same period in 1993. Included in the \$25.6 million was \$23.9 million on multifamily properties. During the same periods, the Bank recovered \$2.0 million and \$1.0 million of previous writedowns, respectively.

The ongoing uncertainty in the Southern California economy, the weak real estate market and the level of the Bank's nonperforming assets continue to be significant concerns to the Company. All of these factors may require additional loss provisions, as the Bank performs its quarterly reviews of the adequacy of its allowance for estimated loans and real estate losses.

REGULATORY CAPITAL COMPLIANCE

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required the OTS to implement a system requiring regulatory sanctions action against institutions that are not adequately capitalized, with the sanctions growing more severe, the lower the institution's capital. Under FDICIA, the OTS issued regulations establishing specific capital ratios for five separate capital categories as set forth below:

	CORE CAPITAL TO ADJUSTED TOTAL ASSETS (LEVERAGE RATIO)	CORE CAPITAL TO RISK-WEIGHTED ASSETS RATIO	TOTAL CAPITAL TO RISK- WEIGHTED RATIO
Well capitalized.....	5% or above	6% or above	10% or above
Adequately capitalized..	4% or above	4% or above	8% or above
Under capitalized.....	Under 4%	Under 4%	Under 8%
Significantly undercapitalized.....	Under 3%	Under 3%	Under 6%
Critically undercapitalized.....	Ratio of tangible equity to adjusted total assets of 2% or less		

The following table summarizes the capital ratios required by FDICIA of the adequately capitalized category and Fidelity's regulatory capital at June 30, 1994 as compared to such ratios. In part as a result of charges and expenses attributable to the Restructuring and Recapitalization (including provisions for losses to be incurred on the Bulk Sales), Fidelity's regulatory capital ratios at June 30, 1994 were such that, on August 1, 1994 (the date on which Fidelity was required to file with the OTS its Thrift Financial Report for the quarter ended June 30, 1994), the Bank was considered "critically undercapitalized" for purposes of the PCA.

	CORE CAPITAL TO ADJUSTED TOTAL ASSETS		CORE CAPITAL TO RISK-WEIGHTED ASSETS		TOTAL CAPITAL TO RISK-WEIGHTED ASSETS	
	(DOLLARS IN THOUSANDS)					
Fidelity's regulatory capital-historical....	\$ 74,100	1.83%	\$ 74,100	2.76%	\$ 140,300	5.23%
Adequately capitalized requirement.....	162,100	4.00	107,300	4.00	214,700	8.00
Deficient capital.....	\$ (88,000)	(2.17)%	\$ (33,200)	(1.24)%	\$ (74,400)	(2.77)%
Adjusted assets (1).....	\$4,053,400		\$2,683,600		\$2,683,600	

(1) The term "adjusted assets" refers to the term "adjusted total assets" as defined in 12 C.F.R. section 567.1(a) for purposes of core capital requirements, and for purposes of risk-based capital requirements, refers to the term "risk-weighted assets" as defined in 12 C.F.R. section 567.1(bb).

The Bank's regulatory capital ratios have increased substantially since June 30, 1994 as a result of completion of the sale of FFB Class A Common Stock and FFB Class C Common Stock and other

transactions related to the Restructuring and Recapitalization. Based upon discussions with OTS representatives, the Bank expects that, upon delivery to the OTS from the Bank of a certificate indicating that the Bank has increased its capital ratios sufficiently to be treated as "adequately capitalized" for purposes of PCA, the OTS will promptly notify the Bank that it is considered to be adequately capitalized and is not required to comply with the PCA restrictions and requirements discussed below. The Bank believes that it will be able to file such a certificate and appropriate supporting documentation upon completion of the last Bulk Sale, which is currently scheduled to close on August 23, 1994.

Unless and until the Bank receives notice from the OTS of a change in its capital category, it will remain subject to the regulatory restrictions applicable to "critically undercapitalized" institutions, including prohibitions on increasing its assets, opening new branch offices, engaging in new lines of business, paying dividends, and paying bonuses to or increasing the compensation of senior executive officers. The Bank would also be required to file a capital restoration plan by September 15, 1994. As a result of the limited voting rights associated with the FFB Class B Common Stock held by Citadel and the changes in the relationship between Citadel and the Bank arising from the Restructuring and Recapitalization, Citadel believes that it should not be considered to be in control of the Bank for purposes of the PCA, although the matter is not free from doubt. If Citadel is considered to be in control of the Bank, and if the Bank continues to be classified as undercapitalized at September 15, 1994 and is therefore required to file a capital restoration plan (which the Bank believes is unlikely), then Citadel would be required either to provide a guarantee of the Bank's performance under the plan or to divest itself of its shares of Bank stock. Such a guarantee would be limited to the lesser of (a) 5% of the Bank's total assets at June 30, 1994, or (b) the amount necessary to bring the Bank into compliance with all capital standards at the time the guarantee is invoked. Such guarantee must remain in effect until the institution has been adequately capitalized for four consecutive quarters, and the controlling company or companies must provide the OTS with appropriate assurances of their ability to perform the guarantee.

FDICIA also required the OTS and the federal bank regulatory agencies to revise their risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk, and risks of nontraditional activities. The OTS added an interest rate risk capital component to its risk-based capital requirement. This component is effective September 30, 1994, based on the December 31, 1993 balance sheet. This capital component will require institutions deemed to have above normal interest rate risk to hold additional capital equal to 50% of the excess risk. As of December 31, 1993, the Bank's internal interest rate risk measurement system showed a risk level of less than half of the OTS limit. The OTS reports for December 31, 1993 and March 31, 1994 show an even lower interest rate risk. Therefore, if the requirement had been in effect on June 30, 1994, using the year-end balance sheet, there would have been no interest rate risk component required to be added to Fidelity's risk-based capital requirement.

Under the PCA, an "undercapitalized", "significantly undercapitalized" or "critically undercapitalized" institution may not accept, renew or roll over brokered deposits and an "adequately capitalized" institution may only do so pursuant to a waiver obtained from the FDIC. As of June 30, 1994, the Bank held \$120.7 of brokered deposits including brokered deposits accepted pursuant to a waiver obtained from the FDIC which expired on August 1, 1994 when the Bank became classified as "critically undercapitalized." The Bank has not accepted, renewed or rolled over any brokered deposits since August 1, 1994. The Bank believes that it will continue to be able to meet its liquidity needs without accepting, renewing or rolling over brokered deposits. However, as noted above, the Bank believes that it will shortly be reclassified as "adequately capitalized," and therefore would be eligible to seek a waiver from the FDIC permitting it to accept brokered deposits. If and when the Bank is reclassified as "adequately capitalized", the Bank may determine to seek such a waiver, but there can be no assurance that the FDIC would grant such a waiver request. If and when the Bank is reclassified as "well capitalized," the Bank could accept brokered deposits without a waiver.

The Bank is also subject to OTS capital regulations under the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). These regulations require Fidelity to maintain: (a) Tangible Capital of at least 1.5% of Adjusted Total Assets (as defined in the regulations), (b) Core Capital of at least 3% of Adjusted Total Assets (as defined in the regulations), and (c) Total Capital equal to 8.0% of Risk-weighted Assets (as defined in the regulations).

The following table summarizes the regulatory capital requirements under FIRREA for Fidelity at June 30, 1994, but does not reflect the required future phasing out of certain assets, including (a) investments in, and loans to, subsidiaries which may presently be engaged in activities not permitted for national banks, and (b) for risk-based capital, real estate held for investment (the impact of which the Bank believes is immaterial). As indicated in the table, as of June 30, 1994, Fidelity's capital levels were deficient under the currently applicable FIRREA minimum capital requirements for core capital and risk-based capital. However, as discussed above, Fidelity believes that upon completion of the final Bulk Sale, and potentially before such time, it will meet the FIRREA minimum capital requirements, and thereby will eliminate any negative consequences of failing to meet such requirements.

JUNE 30, 1994						
	TANGIBLE CAPITAL		CORE CAPITAL		CURRENT RISK-BASED CAPITAL	
	BALANCE	%	BALANCE	%	BALANCE	%
(DOLLARS IN THOUSANDS)						
Stockholder's equity						
(1).....	\$ 74,200		\$ 74,200		\$ 74,200	
Adjustments:						
Intangible assets.....	(1,600)		--		--	
Nonincludable subsidiaries.....	(100)		(100)		(100)	
General valuation allowance.....	--		--		33,900	
Qualifying subordinated notes...	--		--		60,000	
Nonqualifying Supplementary Capital.....	--		--		(19,800)	
Equity investments....	--		--		(7,900)	
Regulatory capital (2)...	72,500	1.79%	74,100	1.83%	140,300	5.23%
Required minimum.....	60,800	1.50%	121,600	3.00%	214,700	8.00%
Excess (deficient) capital.....	11,700	0.29%	(47,500)	(1.17)%	(74,400)	(2.77)%
Adjusted assets (3).....	\$4,051,800		\$4,053,400		\$2,683,600	

(1) Fidelity's total stockholders' equity, in accordance with generally accepted accounting principles, was 1.84% of its total assets at June 30, 1994.

(2) At periodic intervals, both the OTS and the Federal Deposit Insurance Corporation ("FDIC") routinely examine the Bank as part of their legally prescribed oversight of the industry. Based on their examinations, the regulators can direct that the Bank's financial statements be adjusted in accordance with their findings.

(3) The term "adjusted assets" refers to the term "adjusted total assets" as defined in 12 C.F.R. section 567.1(a) for purposes of tangible and core capital requirements, and for purposes of risk-based capital requirements, refers to the term "risk-weighted assets" as defined in 12 C.F.R. section 567.1(bb).

In May 1993, the Financial Accounting Standards Board issued SFAS No. 115 which was implemented by Fidelity as of January 1, 1994. SFAS No. 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. SFAS No. 115 requires that such investments be classified as either held to maturity, trading securities or available for sale. Available for sale securities are reported at their fair value rather than at amortized cost, with unrealized gains and losses included in stockholders' equity. There was no material financial impact to Fidelity upon adoption of SFAS No. 115. The OTS has recently proposed a regulation which would clarify that unrealized gains and losses included in stockholders' equity under SFAS No. 115 would also be included in calculating Fidelity's regulatory capital. Fidelity believes that adoption of the regulation as proposed would not have a material impact on Fidelity's regulatory capital.

## CAPITAL RESOURCES AND LIQUIDITY

Loan Sales: The sale of loans has become a major source of funds to the Bank. Loan sales totaled \$222.0 million in the six months ended June 30, 1994 compared to only \$44.2 million sold during the same period of 1993. The increase in loan sales is related to the Bank's intention to reduce assets for capital planning purposes. As part of this effort, the Bank sold \$155.3 million in single and multifamily (1 to 4 units) performing loans during the first quarter 1994. This sale resulted in a \$1.9 million loss. Sales of loans are dependent upon various factors, including volume of loans originated, interest rate movements, investor demand for loan products, deposit flows, the availability and attractiveness of other sources of funds, loan demand by borrowers, desired asset size and evolving capital and liquidity requirements. Due to the volatility and unpredictability of these factors, the volume of Fidelity's sales of loans has fluctuated significantly and no estimate of future sales can be made at this time. At June 30, 1994, December 31, 1993 and June 30, 1993, the Bank had \$188.6 million, \$367.7 million and \$28.1 million, respectively, of loans in its held-for-sale portfolio. Sales of loans from the held for investment portfolio would be caused by unusual events. The level of future sales, if any, is difficult to predict. During 1993, the Bank approved a policy of more active management of its investment portfolio with a view toward disposition of securities and loans with unfavorable risk/return profiles. This policy may result in loans being reclassified from held for investment to held for sale. Any subsequent sale of such loans would not generally be expected to result in any material gain or loss.

At June 30, 1994, loans identified as Bulk Sale Assets of \$226.0 million were transferred from the loan portfolio to loans held for Bulk Sale. In addition, \$16.9 million of loans originally identified to be included in the Bulk Sales and subsequently removed from those pools, were reclassified as held-for-sale.

FHLB Advances: The Bank had net FHLB Advances of \$96.3 million for the six months ended June 30, 1994. This compares to net repayments of \$190.0 million for the six months ended June 30, 1993.

Commercial paper: Commercial paper provided \$57.1 million of net funds for the six months ended June 30, 1994 compared to \$317.1 for the same period in 1993.

Loan payments and payoffs: Loan principal payments, including prepayments and payoffs, provided \$141.8 million for the six months ended June 30, 1994 compared to \$175.9 million for the six months ended June 30, 1993. The Bank expects that loan payments and prepayments will remain a major funding source in the future.

Sales of securities: The sale of investment and mortgage-backed securities provided \$93.6 million for the six months ended June 30, 1994 compared to \$126.5 million during the same period in 1993. The Bank held \$138.7 million in its held for sale portfolio as of June 30, 1994 compared to \$183.4 million at December 31, 1993 and \$243.3 million at June 30, 1993. The reduction in the investment and mortgage-backed security portfolio is a result of the Bank's efforts to reduce assets size for capital planning purposes.

Capital contributions: The Bank received an \$18.0 million capital contribution from Citadel in March 1993 and another \$10.0 million in December 1993 for a total of \$28.0 million. There were no capital contributions in 1994. On August 4, 1994, the Bank sold 21,577,141 shares of newly issued common stock of Fidelity for net proceeds of approximately \$109 million. See "Item 1-- Financial Statements--Note 4. Subsequent Events."

Undrawn sources: Fidelity maintains other sources of liquidity to draw upon if unforeseen circumstances, such as changes in liquidity or capital requirements, should occur. At June 30, 1994, these sources of liquidity include (a) a line of credit with the FHLB with \$196.0 million available (assuming all \$400 million in commercial paper capacity is used); (b) unused commercial paper capacity of \$38.9 million; (c) \$30.5 million in unpledged securities available to be placed in reverse repos or sold; and (d) \$294.5 million of unpledged loans, some of which would be available to securitize or to collateralize additional FHLB or private borrowings, or which may be securitized.

Deposits: The deposit runoff has required Fidelity to fund deposit withdrawals for the six months ended June 30, 1994. At June 30, 1994, Fidelity had deposits of \$3.0 billion, down from \$3.2 billion at March 31, 1994 and at June 30, 1993. This reduction has been, in part, a natural result of the Company's determination to reduce total assets and, in part, the result of the need on the part of its depositors to withdraw funds to meet current living expenses and/or increase yields through other investments.

Despite the reduction of overall deposits, the Bank has retained profitable, low-cost transaction accounts, such as passbook and checking accounts. The following table presents the distribution of the Bank's accounts:

	JUNE 30, 1994		JUNE 30, 1993	
	(DOLLARS IN THOUSANDS)			
Money market accounts.....	\$ 250,144	8.3%	\$ 379,675	11.7%
Checking accounts.....	400,214	13.3	337,331	10.5
Passbook accounts.....	96,756	3.3	82,687	2.6
Total transaction accounts.....	747,114	24.9	799,693	24.8
Certificates of Deposit \$100,000 and over.....	528,032	17.6	360,173	11.2
Certificates of Deposit less than \$100,000.....	1,604,850	53.5	1,959,236	60.7
Total certificates of deposit.....	2,132,882	71.1	2,319,409	71.9
Brokered funds.....	120,730	4.0	108,433	3.3
Total deposits.....	\$3,000,726	100.0%	\$3,227,535	100.0%

Repurchase Agreements: In the six months ended June 30, 1994, the Bank had net repayments of repurchase agreements of \$3.8 million compared to providing net funds of \$109.9 million during the six months ended June 30, 1993. There were no repurchase agreements outstanding at June 30, 1994.

Loan Fundings: Fidelity funded \$278.5 million loans (excluding Fidelity's refinances) in the six months ended June 30, 1994 compared to \$151.8 million in the same period of 1993. The large increase in loan fundings during the six months ending June 30, 1994 is due primarily to the increased use of wholesale loan brokers to originate loans.

Home equity lines: Advances on home equity credit lines totaled \$7.9 million and \$14.6 million in the six months ended June 30, 1994 and 1993, respectively.

Contingent or potential uses of funds: Fidelity had \$49.0 million in the unused balance of available home equity credit lines at June 30, 1994, compared to \$61.4 million at June 30, 1993. The Bank also had a total of the \$205.0 million of unfunded loans in its pipeline at June 30, 1994, compared to \$55.7 million at June 30, 1993. Included in this amount is approximately \$50.3 million of approved, but unfunded commitments to originate loans at market interest rates at June 30, 1994, compared to \$20.2 million at June 30, 1993.

The OTS regulations require the maintenance of an average regulatory liquidity ratio of at least 5% of deposits and short-term borrowings. The Bank's average regulatory liquidity ratio was 5.51% and 5.29% at June 30, 1994 and 1993, respectively.

See "Business Plan; Capital Resources and Liquidity of the Company Post-Closing" for a discussion related to Citadel.

#### INTEREST RATE RISK MANAGEMENT

The Bank continues to reduce its interest rate risk ("IRR") exposure by originating adjustable rate mortgage ("ARM") loans for its portfolio. Since 1985, the Bank has consistently moved toward building a portfolio consisting predominantly of interest rate sensitive loans. ARM loans comprised 96.4% of the portfolio of total loans at June 30, 1994, compared to 96.9% at June 30, 1993. The percentage of monthly adjustable ARMs to total loans was 72.8% at June 30, 1994, compared to 77.9% at June 30, 1993.

The Bank is also emphasizing the growth of its transaction account base to reduce its overall cost of funds. Transaction accounts include checking, passbook and money market accounts. The ratio of transaction accounts, money market savings and passbook accounts to total deposits increased to 25% at June 30, 1994 from 22% at December 31, 1993 but remained at the same level of 25% at June 30, 1993.

In 1993, the Bank initiated a hedging program to manage more effectively interest rate risk. As a result, the Bank entered into various interest rate swap agreements which are financial transactions where two counterparties agree to exchange different streams of payments over time. An interest rate swap involves no exchange of principal either at inception or upon maturity; rather, it involves the periodic exchange of interest payments arising from an underlying notional principal amount.

At June 30, 1994, the Bank had a total notional principal amount of \$450 million of interest rate swap contracts requiring the Bank to pay an adjustable rate of interest equal to the three-month LIBOR rate as adjusted over time, and to receive a fixed contractual interest rate. As of June 30, 1994, the Bank's average receive rate was 4.80% per annum and the average pay rate was 4.61% per annum. In an effort to fully cover the average maturity of the deposits hedged and to protect against an adverse move in the value of these deposits, the Bank negotiated to extend the maturities of three \$50 million swaps by 6 to 8 months. This action increased the fixed rate received by Fidelity, while at the same time locking in recent market value gains on the related deposits. The following table summarizes the Bank's interest rate swaps as of June 30, 1994:

SPECIFIC HEDGE -----	INCOME EXPENSE		
	NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE
	(DOLLARS IN THOUSANDS)		
Federal funds sold.....	\$ 50,000	4.84%	4.25%
Loan receivable.....	50,000	4.82	3.64
Deposits.....	170,000	4.83	4.86
FHLB Advances/other borrowings.....	180,000	4.76	4.74
	-----		
Total.....	\$450,000	4.80%	4.61%
	=====		

In March 1994, the Bank also purchased two interest rate floor contracts with a total notional principal amount of \$100 million. The Bank's interest rate floor contracts will protect against interest rate declines below the fixed rate floor of 4.75%. The contracts provide for the Bank to receive the interest rate differential on the notional amount between the three-month LIBOR rate and the contract floor. The effective dates for the contracts extend from March 1995 through April 1997.

Fidelity's maturity and repricing mismatch ("Gap") between interest rate sensitive assets and liabilities due within one year was a positive 2.20% at June 30, 1994, a negative 3.38% at December 31, 1993 and a positive 10.54% of total assets at June 30, 1993. A positive Gap indicates an excess of maturing or repricing assets over liabilities, whereas a negative Gap indicates an excess of maturing or repricing liabilities over assets. However, for various reasons, Gap is not particularly helpful as a measure of IRR exposure, and the Bank does not use Gap as an IRR measurement and management tool. The Bank uses a scenario-based approach which measures bank-wide risk and a probabilistic approach for specific products. The Bank regularly analyzes scenarios that contemplate low, expected and high inflation. The Bank also complies with OTS requirements for interest rate shock scenarios (immediate permanent change in interest rates of various levels). The Bank's December 31, 1993 interest rate risk analysis, as filed with the OTS, indicates an immediate permanent increase of 400 basis points in interest rates would decrease net interest income by 54.20%. The analysis indicates a decrease in rates of 400 basis points would increase net interest income by 16.81%. For product and option valuation and for analyzing the results of off-balance sheet instruments, the Bank employs a Monte Carlo simulation model (one that assumes random variation in interest rates) to measure and evaluate risk and return trade-offs.

The Bank's IRR management plan is reviewed on a continuing basis. At March 31, 1994, the Bank's interest rate risk was less than half of the exposure the OTS considers to be above normal. The Bank's interest rate risk position has not changed significantly since March 31, 1994 and it is believed that the Bank's current risk position does not expose the Bank to excessive risk to earnings potential. Even at this lower risk level, due to the lag effect that the COFI has on Fidelity's loan portfolio, the decline in short-term rates from 1990 to early 1993 contributed significantly to the Bank's net interest margin. Recent stable rates have eroded this margin, and more recent increases in rates could produce an initial reduction in net interest income.

#### PART II. OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS

In June 1994, the Company and Chase Manhattan Bank, N.A. ("Chase") entered into a settlement agreement and mutual release with respect to the lawsuit brought by Chase against the Company and Citadel's Chairman of the Board earlier this year, which related to the Subordinated Notes. The lawsuit was dismissed shortly thereafter. See "Item 1--Financial Statements--Note 4--Subsequent Events" for information regarding the redemption of the Subordinated Notes at the Closing of the Restructuring and Recapitalization.

##### ITEM 2. CHANGES IN SECURITIES

Not applicable

##### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

##### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

##### ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits -

EXHIBIT NO. -----	DESCRIPTION -----
10.1	Form of Investor Purchase Agreement between Fidelity Federal Bank and the investors
10.2	Settlement Agreement between Fidelity Federal Bank, Citadel Holding Corporation and certain lenders, dated as of June 3, 1994 (the "Letter Agreement")
10.3	Amendment No. 1 to the Letter Agreement, dated as of June 30, 1994
10.4	Amendment No. 2 to Letter Agreement, dated as of July 28, 1994
10.5	Amendment No. 3 to Letter Agreement, dated as of August 3, 1994
10.6	Mutual Release, dated as of August 4, 1994, between Fidelity Federal Bank, Citadel Holding Corporation and certain lenders
10.7	Mutual Release between Fidelity Federal Bank, Citadel Holding Corporation, and The Chase Manhattan Bank, N.A., dated June 17, 1994
10.8	Loan and REO Purchase Agreement (Primary), dated as of July 13, 1994, between Fidelity Federal Bank and Colony Capital, Inc.
10.9	Deposit Escrow Agreement, dated as of July 13, 1994, among Colony Capital, Inc., Fidelity Federal Bank, and Morgan Guaranty Trust Company of New York
10.10	Real Estate Purchase Agreement, dated as of August 3, 1994, between Fidelity Federal Bank and Citadel Realty, Inc.
10.11	Loan and REO Purchase Agreement (Secondary), dated as of July 12, 1994, between Fidelity Federal Bank and EMC Mortgage Corporation
10.12	Deposit Escrow Agreement, dated as of July 13, 1994, between EMC Mortgage Corporation, Fidelity Federal Bank, and Morgan Guaranty Trust Company of New York
10.13	Loan and REO Purchase Agreement (Secondary), dated as of July 21, 1994, between Fidelity Federal Bank and Internationale Nederlanden (US) Capital Corporation, Farallon Capital Partners, L.P., Tinicum Partners, L.P. and Essex Management Corporation
10.14	Deposit Escrow Agreement, dated as of July 21, 1994, between Fidelity Federal Bank and Internationale Nederlanden (US) Capital Corporation, Farallon Capital Partners, L.P., Tinicum Partners, L.P., Essex Management Corporation, and Morgan Guaranty Trust Company of New York
10.15	Purchase of Assets and Liability Assumption Agreement by and between Home Savings of America, FSB and Fidelity Federal Bank, FSB, dated as of July 19, 1994
10.16	Credit Agreement among Citadel Realty, Inc., Citadel Holding Corporation and Craig Corporation, dated as of August 2, 1994
10.17	Promissory Note, dated as of August 2, 1994, by Citadel Realty, Inc. in favor of Craig Corporation
10.18	Guaranty, dated as of August 2, 1994, by Citadel Holding Corporation in favor of Craig Corporation
10.19	Pledge Agreement, dated as of August 2, 1994, between Citadel Holding Corporation and Craig Corporation



EXHIBIT  
NO.

DESCRIPTION

- 
- 10.20 Promissory Note, dated August 3, 1994, by Citadel Realty, Inc., in favor of Fidelity Federal Bank
  - 10.21 Promissory Note, dated July 28, 1994, by Citadel Realty, Inc. in favor of Fidelity Federal Bank
  - 10.22 Guaranty Agreement, dated August 3, 1994, by Citadel Holding Corporation, in favor of Fidelity Federal Bank
  - 10.23 Unsecured Environmental Indemnity Agreement dated as of August 3, 1994, by Citadel Realty, Inc., in favor of Fidelity Federal Bank
  - 10.24 Unsecured Environmental Indemnity Agreement dated as of July 28, 1994, by Citadel Realty, Inc. in favor of Fidelity Federal Bank
  - 10.25 Registration Rights Agreement dated as of June 30, 1994, between Fidelity Federal Bank, Citadel Holding Corporation and certain holders of Class C Common Stock of Fidelity Federal Bank
  - 10.26 Stockholders Agreement, dated as of June 30, 1994, between Citadel Holding Corporation and Fidelity Federal Bank
  - 10.27 Tax Disaffiliation Agreement, dated as of August 4, 1994, by and between Citadel Holding Corporation and Fidelity Federal Bank
  - 10.28 Option Agreement, dated as of August 4, 1994, by and between Fidelity Federal Bank and Citadel Holding Corporation
  - 10.29 Assignment of Option Agreement, dated as of August 4, 1994, by and between Citadel Holding Corporation and Citadel Realty, Inc.
  - 10.30 Amendment No. 2 to Executive Employment Agreement, dated as of August 4, 1994, between Richard M. Greenwood and Fidelity Federal Bank
  - 10.31 Amended and Restated Term Note, dated October 29, 1992, by Richard M. Greenwood in favor of Citadel Holding Corporation
  - 10.32 Letter Agreement dated August 4, 1994, between Richard M. Greenwood and Citadel Holding Corporation
  - 10.33 Amended and Restated Charter S of Fidelity Federal Bank
  - 10.34 Amended Service Agreement between Fidelity Federal Bank and Citadel Holding Corporation dated as of August 1, 1994.
  - 10.35 Placement Agency Agreement, dated July 12, 1994 between J.P. Morgan Securities Inc., Fidelity Federal Bank and Citadel Holding Corporation.
  - 10.36 Side letter, dated August 3, 1994, between Fidelity Federal Bank and Citadel Realty, Inc.

(b) Reports on Form 8-K

The Company filed a Report on Form 8-K on July 22, 1994 reporting on Item 5. "Other Events."

The Company filed a Report on Form 8-K on August 4, 1994 reporting on Item 5. "Other Events."

The Company filed a Report on Form 8-K on August 12, 1994 reporting on Item 5. "Other Events."

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

CITADEL HOLDING CORPORATION  
Registrant

Date: August 22, 1994

/s/ STEVE WESSON

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Steve Wesson  
President and Chief Executive  
Officer

Date: August 22, 1994

/s/ HEIDI WULFE

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Heidi Wulfe  
Senior Vice President,  
Controller and  
Chief Accounting Officer

GRAPHICS APPENDIX LIST

Page Where Graphic Appears	Description of Graphic or Cross-Reference
EX-10.28G Page 44	Exhibit "E" Map showing signs on Sherman Oaks property.
EX-10.28H Page 36	Map of First, Second and Third Floor of Sherman Oaks premises.
EX-10.28H Page 39	Exhibit "A" Map of First, Second and Third Floors of the Sherman Oaks premises.
EX-10.28H Page 45	Exhibit "F" Map showing signs on Glendale property.
EX-10.28I Page 41	Map of Glendale property.
EX-10.28I Page 41	Exhibit "A" Standard Office Lease Floor Plan
EX-10.28I Page 46	Map showing signs on Glendale property.
EX-10.28K1 Page 9	Map showing location of Sherman Oaks property.
EX-10.28K2 Page 8	Map showing location of Glendale property.
EX-10.28K2 Page 14	Map showing location of Glendale property and various notarizations.

July , 1994

Fidelity Federal Bank  
600 North Brand Boulevard  
Glendale, California 91203

Dear Sirs:

The undersigned investor ("Investor"), subject and pursuant to the terms and conditions set forth below, agrees to purchase from Fidelity Federal Bank, a Federal Savings Bank ("Fidelity"), and Fidelity, subject and pursuant to the terms and conditions set forth below, agrees to issue and sell to such Investor, the shares of Class A Common Stock, par value \$.01 per share, of Fidelity (the "Class A Common Stock"), and the shares of Class C Common Stock, par value \$.01 per share, of Fidelity (the "Class C Common Stock," and together with the Class A Common Stock, the "Common Stock"), specified in Section 3 below. The Common Stock is being offered pursuant to an Offering Circular (the "Offering Circular"), dated as of July 12, 1994. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Offering Circular.

1. Representations and Warranties of Investor.

Investor hereby represents and warrants to, and covenants and agrees with, Fidelity that:

(a) Investor has received a copy of the Offering Circular relating to the shares of Common Stock that Investor agrees to purchase pursuant to Section 3 below and understands that no person has been authorized to give any information or to make any representations that were not contained in such Offering Circular, and Investor has not relied on any such other information or representations in making a decision to purchase any shares of Common Stock. Investor understands that an investment in Fidelity involves a high degree of risk, including the risks set forth under the caption "RISK FACTORS" in the Offering Circular.

(b) Investor has been advised that (i) there are significant restrictions on the transfer of the Common Stock, (ii) there has been no prior trading market for the Common Stock, (iii) only a limited trading market for the Class A Common Stock, if any, is likely to develop in the foreseeable future, (iv) it is unlikely that any trading market for the Class C Common Stock will develop in the foreseeable future, and (v) as a result, an investment in the Common Stock may be extremely illiquid.

(c) Investor agrees and acknowledges, and at the Closing (as defined below) the charter of Fidelity will provide, that (i) for a period of thirty (30) days from the Closing, none of the Common Stock shall be transferable, and (ii) thereafter, until the date on which Fidelity files with the OTS its next annual report on Form 10-K for the first fiscal year ending after the date of the Closing, shares of Common Stock may be transferred only if such transfer is (A) to an affiliate of the transferor or an investment account under the control of the transferor or an affiliate of the transferor, or (B) of no fewer than 100,000 shares to each transferee in each transfer. Each transferee of shares of Common Stock shall be similarly bound by such transfer restrictions.

(d) Investor has been advised that any and all certificates representing the shares of Common Stock and any and all certificates issued in replacement thereof or in exchange therefor shall bear the following legend, or one substantially similar thereto:

UNDER THE TERMS OF THE AMENDED AND RESTATED CHARTER OF FIDELITY FEDERAL BANK (THE "BANK"), THE SHARES OF COMMON STOCK EVIDENCED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED PRIOR TO AUGUST, 1994

[30 DAYS FROM THE CLOSING]. THEREAFTER, UNTIL THE FILING BY THE BANK WITH THE OFFICE OF THRIFT SUPERVISION OF THE BANK'S NEXT ANNUAL REPORT ON FORM 10-K FOR THE FIRST FISCAL YEAR ENDING AFTER THE DATE OF THE CLOSING, THE SHARES OF COMMON STOCK EVIDENCED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN BLOCKS OF 100,000 SHARES OR MORE, EXCEPT AS DESCRIBED BELOW. DURING THAT TIME, THE TRANSFER AGENT WILL REFUSE TO ISSUE STOCK CERTIFICATES FOR FEWER THAN 100,000 SHARES EXCEPT WHERE THE TRANSFEROR PROVIDES WRITTEN CERTIFICATION THAT SUCH SHARES ARE BEING TRANSFERRED ONLY TO THE BENEFICIAL OWNERSHIP OF AN AFFILIATE OF THE TRANSFEROR OR AN INVESTMENT ACCOUNT UNDER THE CONTROL OF THE TRANSFEROR OR AN AFFILIATE OF THE TRANSFEROR.

(e) Investor is a sophisticated "accredited investor" as defined in Rule 501 under the Securities Act of 1933, as amended, and Investor has sufficient knowledge and experience in financial and business matters to make an informed investment decision based upon the information included in the Offering Circular. Investor can bear the economic risk of loss of the entire investment in the Shares (as defined in Section 3); Investor intends to purchase the Shares for the account of Investor and its affiliates and not, in whole or in part, for the account of any other person; and Investor is acquiring the Shares for investment and without a view to distribution.

(f) Investor has full power and authority to enter into this letter agreement (the "Agreement") and to consummate the transactions contemplated by the Agreement. The board of directors (or comparable body of authority) of Investor has taken all action required by law or by its charter, bylaws, partnership agreement or other governing instruments or otherwise to authorize (i) the approval, execution and delivery on behalf of Investor of the Agreement and (ii) the performance by Investor of its obligations under the Agreement. If Investor is acting in an advisory capacity, Investor has full power and authority (corporate and other) to act on behalf of its advisory clients under this Agreement. If Investor is a trust, the trustee thereof has been duly appointed as trustee of Investor with full power and authority to act on behalf of Investor and to perform the obligations of Investor under the Agreement. The Agreement is a valid and binding agreement of Investor, enforceable against Investor in accordance with its terms.

(g) Investor is not "acting in concert" with any other purchaser or potential purchaser of shares of any class of the common stock of Fidelity within the meaning of Sections 574.2(c) and 574.4 of the regulations of the OTS (12 C.F.R. 574.2(c) and 574.4), in its acquisition of the Shares hereunder.

(h) All consents, approvals and authorizations ("Consents") of, and all declarations and filings ("Filings") with, any governmental agency or body of the United States or any state thereof required to be obtained by Investor in connection with its purchase of Common Stock pursuant to this Agreement have been, or as of the Closing will have been, obtained, and all such Consents and Filings are, or as of the Closing will be, in full force and effect.

## 2. Representation and Warranty of Fidelity.

Fidelity represents and warrants to Investor that the execution, delivery and performance by Fidelity of this Agreement have been duly authorized by all necessary action and this Agreement has been duly executed and delivered by Fidelity and, when executed and delivered by Investor, will be a valid and binding agreement of Fidelity, enforceable against Fidelity in accordance with its terms.

## 3. Subscription and Method of Payments.

(a) Investor hereby agrees to purchase up to the number of shares of each class of Common Stock set forth on the signature page hereof (and Fidelity shall have the right to specify a lesser number of shares to be so purchased) for a cash

price per share of \$5.25. At least five business days prior to the Closing, Fidelity shall so specify the precise number of the shares of Common Stock to be purchased by Investor (the "Shares"). The amount equal to the product of the number of Shares multiplied by \$5.25 is referred to herein as the "Purchase Price." The Shares will be simultaneously issued, sold and delivered to Investor at the Closing described below.

(b) Notwithstanding anything to the contrary herein, Fidelity shall not be obligated to issue or sell any shares of Common Stock to Investor unless, at the Closing (as defined below), purchasers of shares of Common Stock offered pursuant to the Offering Circular have tendered payment in immediately available funds to Fidelity for the purchase price of a minimum of 20,952,381 shares of Common Stock (or such greater amount of shares as to which Fidelity and the Placement Agent may agree) at a price of \$5.25 per share.

(c) If the conditions to the closing of the transactions contemplated hereby (the "Closing") are met, the Closing will be held at a time and place to be designated by Fidelity and the Placement Agent no later than August 4, 1994. Fidelity shall notify Investor of the time and place of the Closing at least five business days prior thereto, subject to the right of Fidelity to extend the date of the Closing to a date no later than August 4, 1994, by notice to the Investor no later than 10:00 a.m. (Eastern Daylight Time) on the day prior to the Closing as then scheduled. Investor agrees to deliver payment of the Purchase Price for the Shares to the Escrow Agent (as defined below) no later than 12:00 Noon (Eastern Daylight Time) on the day prior to the Closing by wire transfer in Federal funds for deposit in a non-interest bearing escrow account maintained by the Escrow Agent to be specified by Fidelity in its notice of the Closing. First Trust, N.A. (the "Escrow Agent") will act as escrow agent for the funds constituting the Purchase Price and will deliver payment of such funds to Fidelity at the Closing upon simultaneous delivery of certificates evidencing the Shares to the Placement Agent on behalf of Investor. If the Closing does not occur on or before August 4, 1994 for any reason, the Escrow Agent will promptly return the funds constituting the Purchase Price to Investor.

#### 4. Conditions to Consummation; Termination.

(a) The respective obligations of Investor and Fidelity to effect the purchase and sale of the Shares shall be subject to the satisfaction or waiver prior to the Closing of the conditions set forth in Section 3(b) above and in the Agency Agreement to the transactions contemplated thereby.

(b) This Agreement shall terminate if the Closing has not occurred on or before August 4, 1994.

(c) This Agreement shall terminate, and the purchase and sale of the Shares shall be abandoned, upon the termination of the Agency Agreement for any reason, without further action or consent by Investor or Fidelity.

(d) In the event that this Agreement is terminated pursuant to Section 4(b) or 4(c) hereof, all further obligations of the parties under this Agreement shall terminate without further liability of any party or their respective stockholders, directors or officers to any other party or to the stockholders, directors or officers of any other party; provided, however, that a termination of this Agreement arising out of a willful breach of, or an intentional misrepresentation in, this Agreement by any party shall not relieve such party of liability therefor or be deemed to be a waiver of any available remedy for any such willful breach or intentional misrepresentation. In the event of any claim or action relating to this Agreement, the prevailing party shall also be entitled to its reasonable attorneys' fees and expenses.

(e) The representations, warranties, agreements and covenants of the parties set forth herein shall survive the Closing.

#### 5. Miscellaneous.

(a) Investor agrees not to transfer or assign this Agreement, or any of Investor's interest herein, and further agrees that the transfer or assignment of the Shares acquired pursuant hereto shall be made only in accordance with the terms of Fidelity's Amended and Restated Charter as described in the Offering Circular under the caption "SHARES ELIGIBLE FOR FUTURE SALE; TRANSFER RESTRICTIONS."

(b) This Agreement shall be binding upon Investor's successors and assigns.

(c) This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and may be amended only by written execution by both parties.

(d) This Agreement shall be governed by, and interpreted in accordance with, the internal law, and not the law pertaining to conflicts or choice of law, of the State of California.

(e) Time is of the essence with respect to all provisions of this Agreement including, without limitation, Investor's obligation to pay the Purchase Price and Fidelity's obligation to deliver certificates evidencing the Shares on the date of the Closing.

(f) By executing this Agreement below, Investor agrees to be bound by all of the terms, provisions, warranties and conditions contained herein. Upon acceptance by Fidelity, this Agreement shall be binding on both parties hereto.

Very truly yours,

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[ ] Unless the foregoing box is checked, Investor is neither a pension trust or profit sharing trust nor any other kind of employee benefit trust or fund forming a part of a plan or plans qualified under the provisions of Section 401(a) of the Code and exempt under the provisions of Section 501(a) of the Code.

If the foregoing box is checked, Investor represents that either (x) the terms of any such trust or fund specifically authorize the deposit of funds in a separate account as contemplated by the Escrow Agreement among Fidelity, Citadel, the Placement Agent and the Escrow Agent or (y) such deposit is specifically authorized by a fiduciary or other authorized official of any such trust or fund.

-----  
(Name)

By: /s/ -----

Printed  
Name: -----

Title: -----

Address: -----  
-----

Telephone: -----

Facsimile: -----

Maximum shares to be purchased by Investor:

Common Stock	Number of shares
Class A	
Class C	

Accepted and agreed as of July , 1994.

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: -----  
Title: -----

[LOGO OF FIDELITY FEDERAL BANK APPEARS HERE]

EXECUTION COPY  
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CORPORATE OFFICES  
800 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209-1631

Dated as of  
June 3, 1994

BY TELECOPIER  
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To the Financial Institutions Identified  
as "Lenders" on the Signature Page Hereto:

re: Loan Agreement, dated as of May 15, 1990  
and the 11.68% Subordinated Notes of  
Fidelity Federal Bank, FSB, Issued Thereunder  
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Ladies and Gentlemen:

Reference is made to the Loan Agreement dated as of May 15, 1990 (the  
"Loan Agreement") between Fidelity Federal Bank, a Federal Savings Bank (the  
"Bank"), Citadel Holding Corporation (the "Guarantor" or, together with the  
Bank, the "Company") and each of the financial institutions to whom this letter  
is addressed (each, a "Lender"). Capitalized terms not otherwise defined in this  
letter (this "Letter Agreement") have the meanings specified in the Loan  
Agreement.

As the Company has previously advised the Lenders, the Company intends to  
enter into a restructuring transaction (the "Restructuring") comprised of, among  
other things, (i) the transfer or disposition in one or more bulk asset sales of  
a pool consisting primarily of troubled assets with an estimated current  
aggregate gross book value of approximately \$640 million (the "Bulk Sales") and  
(ii) the sale of, or disposition of a controlling interest in, the Bank (the  
"Recapitalization"). The Restructuring is intended to result in capital levels  
of the Bank acceptable to the Office of Thrift Supervision (the "OTS").

On March 4, 1994, one of the Lenders, The Chase Manhattan Bank (National  
Association) ("Chase"), commenced an action against the Bank, the Guarantor and  
the Chairman of the Board of the Guarantor (the "Chase Action") relating to,  
among other matters, the effect of the Restructuring on the Company and the  
indebtedness outstanding under the Loan Agreement.



To assist the Company in the consummation of the Restructuring, and subject to the terms and conditions contained herein, the Company hereby offers to redeem (the "Redemption") from each of the Lenders all Subordinated Notes held

by such Lender, together with all indebtedness, liabilities and obligations evidenced by or outstanding or arising under the Subordinated Notes or the Loan Agreement, for a redemption price (the "Redemption Price") equal to the sum of

(i) the unpaid principal amount of the Subordinated Notes at the time of consummation of the Redemption, plus (ii) accrued and unpaid interest thereon

through the date of consummation of the Redemption, plus (iii) a

recapitalization fee (the "Recapitalization Fee") payable in cash and calculated

in accordance with Annex A hereto, plus (iv) all reasonable, documented

out-of-pocket costs and expenses (including without limitation legal fees, disbursements and other related charges) incurred by the Lenders on or after May 24, 1994 in an aggregate amount not to exceed \$80,000 in connection with this offer to redeem and the transactions contemplated hereby. It is understood and agreed that the Redemption Price does not include, and, if the Company shall consummate the Redemption, the Company shall not otherwise be obligated to pay to the Lenders, any other amount, including, without limitation, (a) any costs or expenses, including legal fees, other than those specifically referred to above, whether or not reimbursable by the Company under the Loan Agreement, (b) any Prepayment Amounts payable pursuant to Section 3.2 of the Loan Agreement, or (c) any amounts payable upon the occurrence of a Significant Event pursuant to Section 12.8 of the Loan Agreement.

The obligations of the Company and each Lender to consummate the Redemption shall be subject to satisfaction of the following terms and conditions (the "Effectiveness Conditions"):

I. CONDITIONS

A. Events to Occur Within 5 Days of Execution of this Letter Agreement

1. Dismissal with prejudice of the Chase Action, the exchange of immediately effective mutual releases between the company and Chase, and prompt public disclosure of such events in form and substance reasonably satisfactory to the Company and to Chase;

2. Execution by each of the affected Lenders and delivery to the Company and Gibson, Dunn & Crutcher ("GDC") of waivers of conflict of interest claims arising from the

Company's use of GDC in connection with the Restructuring, including without limitation, advice as to the construction and interpretation of the Loan Agreement and this Letter Agreement, which waivers shall in no event authorize GDC to advise or represent the Company with respect to any adverse claims against, or litigation or potential litigation matters involving Chase. Since the draft of every Lender's waiver has not been presented to the Company at the date of execution of this Letter Agreement, it is agreed that the waiver applicable to each Lender shall be in form and substance reasonably satisfactory to the Company, GDC and such Lender; and

3. Acceptance of this offer to redeem by each Lender with respect to all Subordinated Notes held by it by return of a facsimile counterpart of this Letter Agreement to the Company and to the other lenders on or before June 8, 1994, duly signed by an authorized signatory of such Lender.

B. Events to Occur Prior to or Upon Closing of the Redemption  
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1. Consummation of the Recapitalization; provided, however, that if the Bank would be deemed to be "undercapitalized" within the meaning of 12 C.F.R. (S) 565.4 (b) (3) upon consummation of the Redemption, then the Redemption shall be postponed until completion of the Restructuring unless the OTS otherwise agrees;
2. Tender to the Company by all Lenders of all outstanding Subordinated Notes for Redemption by the Company hereunder;
3. Execution and delivery of releases (a) by all Lenders in favor of the Company and (b) by the Company in favor of all Lenders; and
4. Approval of the Redemption by the OTS within five business days after the execution of this Letter Agreement, which approval the Company will use its best efforts to obtain.

## II. OTHER TERMS

A. The closing of the Redemption (the "Closing"), which shall be

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 contemporaneous with the closing of the Recapitalization or the Restructuring, as the case may be, shall occur at the offices of the Company or at such other place or places as may be agreed to with the Lenders on no less than three Business Days' prior notice by facsimile by the Company to the Lenders.

B. Between the date hereof and the Closing, the Company shall on a continuing basis furnish to each of the Lenders copies of all transaction agreements and offering circulars, prospectuses and memoranda relating to the Restructuring (including drafts thereof intended for circulation to individuals and entities other than the Company and its professional advisors) promptly following the preparation of such documents; provided, however, that the Company

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 shall not be required to furnish such documents to the extent that (i) such documents contain privileged and confidential attorney/client material or (ii) the Company is precluded by applicable statute, rule or regulation from providing such information to the Lenders. In addition, the Company shall meet weekly with the Lenders by Wednesday of each week by telephonic conference call at a mutually convenient time to update the Lenders on the progress of the Restructuring. The undertakings of the Company contained herein are in addition to, and not in lieu of, the obligations of the Company to furnish information to the Lenders under the Loan Agreement.

C. From the date hereof through and including July 31, 1994, the Lenders hereby waive compliance by the Company of its covenants contained in Sections 5.3 (d), 5.5 (d) and 5.10 of the Loan Agreement. Except as expressly provided herein, the Loan Agreement shall continue to be in full force and effect, and the Lenders shall retain all rights, remedies and claims arising thereunder; provided, however, that actions taken in good faith by the Company between the

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 date hereof and the Closing in furtherance of consummation of the Restructuring shall not be deemed by the Lenders to be anticipatory breaches of relevant

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 provisions of the Loan Agreement.

D. At the Closing,

1. The Company will pay to the Lenders the Redemption Price with respect to the respective Subordinated Notes held by them in immediately available funds;

2. The Company will deliver to the Lenders a copy of a certified board resolution approving the terms of the Redemption as set forth herein; and

3. Each Lender will deliver to the Company all original Subordinated Notes held by it, together with (i) a written instrument of transfer in form reasonably satisfactory to the Company, duly executed by or on behalf of such Lender by an authorized signatory, and (ii) evidence reasonably acceptable to the Company that such Lender is the beneficial and record owner and holder of such Notes, it being understood that the opinions of counsel otherwise required in the case of transfers of Subordinated Notes pursuant to Section 9.1 of the Loan Agreement shall not be required.

This offer to redeem shall remain open until June 8, 1994 and will expire without further action by the Company if not accepted prior to such date by all Lenders as specified above. In addition, if this offer to redeem shall have been accepted as contemplated hereby prior to such date (or prior to such later date as may be agreed to in writing by the Company and the Lenders), but (i) all of the Effectiveness Conditions shall not have occurred as and when provided for hereby or (ii) the Closing shall not have taken place on or before July 31, 1994, then any party hereto may in its sole and absolute discretion terminate this Letter Agreement without any liability to any other party by written notice to the other parties.

In considering whether or not to accept this offer, the Lenders should consider carefully the information that may have been or may hereafter be delivered to the Lenders, including information delivered pursuant to Sections 5.1 and 12.1 of the Loan Agreement, and the recent press releases of the Company and any other information regarding the Company and the Restructuring which may from time to time be delivered by the Company.

Except as otherwise provided herein, this Letter Agreement and the negotiations and presentations provided in connection with it, are hereby identified by the Company as being or containing confidential non-public information and, therefore, should be handled in accordance with Section 10.4(b) of the Loan Agreement.

The parties hereto acknowledge that they have read and understood the terms of this Letter Agreement, that they have fully reviewed this Letter Agreement with their attorneys, and that they have entered into this Letter

Agreement voluntarily with full knowledge of the offset thereof.

For the convenience of the parties, this Letter Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

The foregoing constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and all prior or contemporaneous understandings or agreements, if any, are merged into this Letter Agreement. No term, provision, or condition of this Letter Agreement can be changed, modified, amended, or waived except by a writing signed by all the parties hereto.

Pursuant to Section 5-1401 of the New York General Obligations Law, this offer to redeem and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

We look forward to your acceptance of this offer.

Very truly yours,

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: /s/ Richard M. Greenwood  
-----  
Richard M. Greenwood  
Chief Executive Officer and  
President

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood  
-----  
Richard M. Greenwood  
Chief Executive Officer and  
President

BY SIGNING BELOW, EACH OF THE UNDERSIGNED LENDERS HEREBY ACCEPTS THE FOREGOING OFFER TO REDEEM ALL THE SUBORDINATED NOTES HELD BY IT, SUBJECT TO THE TERMS AND CONDITIONS SET FORTH ABOVE:

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By: /s/ PAMELA STUMPP  
-----  
Name: Pamela Stump  
-----  
Title: Managing Director  
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CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: /s/ James F. Coggins, Jr.  
-----  
Name: James F. Coggins, Jr.  
-----  
Title: Assistant Vice President  
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CIG & CO.

By: /s/ James F. Coggins, Jr.  
-----  
Name: James F. Coggins, Jr.  
-----  
Title: Partner  
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THE MUTUAL BENEFIT LIFE  
INSURANCE COMPANY

By: /s/ Daren H. James  
-----  
Name: Daren H. James  
-----  
Title: Senior Vice President  
-----

HEWLETT-PACKARD DEFERRED  
PROFIT SHARING TRUST

By: /s/ ELIZABETH OBERSHAW  
-----  
Name: Elizabeth Obershaw  
-----  
Title: Manager, Benefit Fund Investments  
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BY TELECOPIER  
- - - - -

Dated as of  
June 20, 1994

To the Financial Institutions Identified as  
"Lenders" on the Signature Page Hereto:

Re: Letter Agreement Dated as of June 3, 1994  
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Ladies and Gentlemen:

Reference is made to that certain Letter Agreement dated as of June 3, 1994 (the  
"Letter Agreement") between Fidelity Federal Bank, a Federal Savings Bank,  
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Citadel Holding Corporation and each of the financial institutions to whom this  
letter is addressed. Capitalized terms not otherwise defined in this letter  
have the meanings specified in the Letter Agreement.

As required by the Letter Agreement, each of the Lenders accepted the offer to  
redeem contained therein on or before June 8, 1994. The Letter Agreement  
provides, however, that the respective obligations of the parties thereunder are  
subject to satisfaction of certain terms and conditions referred to therein as  
"Effectiveness Conditions." Furthermore, the Letter Agreement requires that  
certain Effectiveness Conditions occur within five days of execution of the  
Letter Agreement. There has been delay in satisfying certain of the  
Effectiveness Conditions and the parties now wish to extend the date by which  
such Effectiveness Conditions must be satisfied.

By its signature below, each of the parties hereto acknowledges and agrees as  
follows:

1. The Letter Agreement shall be amended by deleting the following language which appears on page 2 thereof: "A. Events to Occur Within 5 Days of Execution of this Letter Agreement" and replacing such language with the following: "A. Events to Occur on or Before June 22, 1994."
2. The Letter Agreement shall be amended further by deleting section I.B.4 which appears on page 3 thereof and replacing such provision with the following: "Approval of the Redemption by the OTS on or before June 22, 1994, which approval the Company will use its best efforts to obtain."
3. Each party irrevocably and unconditionally waives whatever right it may have had to terminate the Letter Agreement based upon the failure of any conditions described in section I.A of the Letter Agreement to have been satisfied within 5 days of execution of the Letter Agreement.
4. Except as specifically provided for hereby, the Letter Agreement shall remain in full force and effect.

Very truly yours,

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: /s/ GODFREY B. EVANS

---

Name: Godfrey B. Evans  
Title: Executive Vice President

CITADEL HOLDING CORPORATION

By: /s/ GODFREY B. EVANS

---

Name: Godfrey B. Evans  
Title: Executive Vice President



ACKNOWLEDGED AND AGREED TO:

-----  
THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By: /s/ PAMELA M. STUMPP

\_\_\_\_\_  
Name: Pamela M. Stumpp  
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: /s/ JAMES F. COGGINS, JR.

\_\_\_\_\_  
Name: James F. Coggins, Jr.  
Title: Assistant Vice President

CIG & CO

By: /s/ JAMES F. COGGINS, JR.

\_\_\_\_\_  
Name: James F. Coggins, Jr.  
Title: Partner

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY

By: /s/ WALTER A. APPEL

\_\_\_\_\_  
Name: Walter A. Appel  
Title: Vice President

HEWLETT-PACKARD DEFERRED PROFIT SHARING TRUST

By: /s/ ELIZABETH OBERSHAW

\_\_\_\_\_  
Name: Elizabeth Obershaw  
Title: Manager, Benefit Fund Investments

As of July 28, 1994

BY TELECOPIER

TO THE FINANCIAL INSTITUTIONS IDENTIFIED AS "LENDERS" ON THE SIGNATURE PAGES  
HERETO

Re: Fidelity Federal Bank, a Federal Savings Bank - Amendment No. 2  
to Letter Agreement dated as of June 3, 1994

Ladies and Gentlemen:

Reference is made to the letter agreement dated as of June 3, 1994 among Fidelity Federal Bank, a Federal Savings Bank (the "Bank"), Citadel Holding Corporation (together with the Bank, the "Company") and each of the financial institutions to whom this letter is addressed (each a "Lender"), as amended by a letter agreement dated as of June 20, 1994 (as so amended, the "Letter Agreement"). Defined terms not otherwise defined herein have the meanings specified in the Letter Agreement.

We hereby request that the Letter Agreement be amended as follows:

1. Paragraph D.1. of the Letter Agreement is hereby amended to read in full as follows:

"1. The Company shall cause payment of the Redemption Price (including the Recapitalization Fee) to be made directly out of an escrow containing only the proceeds of the issuance of capital stock by the Bank pursuant to its Form OC (OTS Docket No. 5770) (the "Offering Circular") by written instructions to the escrow agent in the form of Exhibit 1 hereto."

2. The releases referred to in paragraph I.B.3. of the Letter Agreement shall be in the form of Exhibit 2 hereto.

3. Exhibits 1 and 2 hereto are hereby added as Exhibits 1 and 2 to the Letter Agreement.

4. The references to "July 31, 1994" appearing in paragraph II.C. and the second subparagraph of paragraph II.D.3. of the Letter Agreement are hereby replaced by "August 4, 1994."

5. Except as amended hereby, the Letter Agreement shall remain in full force and effect.

If the foregoing is acceptable to you, we would appreciate your prompt return of a signed copy of this letter agreement. We look forward to hearing from you.

Sincerely,

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: /s/ Godfrey B. Evans  
-----  
Name: Godfrey B. Evans  
-----  
Title: Executive Vice President  
-----

CITADEL HOLDING CORPORATION

By: /s/ Godfrey B. Evans  
-----  
Name: Godfrey B Evans  
-----  
Title: Executive Vice President  
-----

ACKNOWLEDGED AND AGREED TO:

Lenders:

-----  
THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By: /s/ Pamela M. Stumpp  
-----  
Name: Pamela M. Stumpp  
-----  
Title: Managing Director  
-----

CONNECTICUT GENERAL LIFE  
INSURANCE COMPANY

By: CIGNA Investments, Inc.  
-----  
Name: James F. Coggins, Jr.  
-----  
Title: Managing Director  
-----

CIG & CO.

By: CIG & Co.  
-----  
Name: James F. Coggins, Jr.  
-----  
Title: Partner  
-----

THE MUTUAL BENEFIT LIFE  
INSURANCE COMPANY

By: /s/ Walter A. Appel  
-----  
Name: Walter A. Appel  
-----  
Title: Vice President  
-----

HEWLETT-PACKARD DEFERRED  
PROFIT SHARING TRUST

By: /s/ Elizabeth Obershaw

-----  
Name: Elizabeth Obershaw

-----  
Title: Manager, Benefit Fund Investments  
-----

As of August 3, 1994

BY TELECOPIER

TO THE FINANCIAL INSTITUTIONS IDENTIFIED AS "LENDERS" ON THE SIGNATURE PAGES HERETO

Re: Fidelity Federal Bank, a Federal Savings Bank --  
Amendment No. 3 to Letter Agreement dated as of  
June 3, 1994

Ladies and Gentlemen:

Reference is made to the letter agreement dated as of June 3, 1994 among Fidelity Federal Bank, a Federal Savings Bank (the "Bank"), Citadel Holding Corporation (together with the Bank, the "Company") and each of the financial institutions to whom this letter is addressed (each a "Lender"), as amended by a letter agreement dated as of June 20, 1994 and a letter agreement dated as of July 28, 1994 (as so amended, the "Letter Agreement"). Defined terms not otherwise defined herein have the meanings specified in the Letter Agreement.

We hereby request that the Letter Agreement be amended as follows:

1. Clause (iii) of the first paragraph on page 2 of the Letter Agreement is hereby amended and restated in its entirety to read as follows:

"(iii) a recapitalization fee (the "Recapitalization Fee") calculated in accordance with Annex A, payment of which shall be satisfied through the issuance of shares of capital stock of the Bank ("Bank Shares") to such Lender in accordance with Annex B, plus"

2. Paragraph II.D.1. of the Letter Agreement is hereby amended and restated in its entirety to read as follows:

"1. The Company shall cause payment of the Redemption Price (excluding the Recapitalization Fee) to be made directly out of an escrow containing only the proceeds of the issuance of capital stock by the Bank pursuant to its Form OC (OTS Docket No. 5770) (the "Offering Circular") by written instructions to the escrow agent in the form of Exhibit 1 hereto. The Bank shall deliver certificates evidencing the Bank Shares to J.P. Morgan Securities Inc. ("JPM"), which delivery shall constitute satisfaction in full of the Company's obligation to pay the Recapitalization Fee, and shall instruct JPM to deliver the Bank Shares to each Lender in accordance with Annex B."

3. Annex B hereto is hereby added as Annex B to the Letter Agreement.

4. Paragraph 3 of Exhibit 1 to the Letter Agreement is hereby amended and restated in its entirety to read as follows:

"3. To the Lenders, in payment of the balance of the amounts due under the Letter Agreement, as follows:

a. To Chase for credit to the account identified in paragraph 3 above:

unpaid principal amount of Subordinated Notes	\$35,000,000.00
accrued and unpaid interest through the date of redemption of the Subordinated Notes	\$897,088.89
Total	\$35,897,088.89 -----

b. To CIG & Co. ("CIG"), as nominee of Connecticut General Life Insurance Company, ABA #021 0000 21 Chase NYC/CTR, New York, New York/Beneficiary: CIGNA Private Placements/Account No. 9009001802, Attention: Tom Massy (identifying the payment as follows: PPN 31614# AA7, Fidelity Federal Bank 11.68% Subordinated Notes Due 2000, and by the principal, interest and fee amounts set forth below):

unpaid principal amount of Subordinated Notes	\$15,000,000.00
accrued and unpaid interest through the date of redemption of the Subordinated Notes	\$384,466.67
Total	\$15,384,466.67 -----

3 above:

c. To MBLIC, for credit to the account identified in paragraph

unpaid principal amount of Subordinated Notes	\$5,000,000.00
accrued and unpaid interest through the date of redemption of the Subordinated Notes	\$128,155.56
Total	\$5,128,155.56 -----

d. To Hewlett-Packard Deferred Profit Sharing Trust ("HPDPST"), Mellon Trust, Federal Reserve Bank of Boston, ABA 011-801234, for credit to ABA # 10-811-1, for further credit to Hewlett-Packard A/C HPCF6211:

unpaid principal amount of Subordinated Notes	\$5,000,000.00
accrued and unpaid interest through the date of redemption of the Subordinated Notes	\$128,155.56
Total	5,128,155.56"

5. Except as amended hereby, the Letter Agreement shall remain in full force and effect.

If the foregoing is acceptable to you, we would appreciate your prompt return of a signed copy of this letter agreement. We look forward to hearing from you.

Sincerely,

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: /s/ Godfrey B. Evans

-----  
Name: Godfrey B. Evans

-----  
Title: Executive Vice President  
-----

CITADEL HOLDING CORPORATION

By: /s/ Godfrey B. Evans

-----  
Name: Godfrey B. Evans

-----  
Title: Executive Vice President  
-----

ACKNOWLEDGED AND AGREED TO:

Lenders:

-----  
THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By: /s/ Pamela M. Stumpp  
-----  
Name: Pamela M. Stumpp  
-----  
Title: Managing Director  
-----

CONNECTICUT GENERAL LIFE  
INSURANCE COMPANY

By: Cigna Investments, Inc  
-----  
Name: /s/ James F. Coggins, Jr.  
-----  
Title: Managing Director  
-----

CIG & CO.

By: /s/ James F. Coggins, Jr.  
-----  
Name: James F. Coggins, Jr.  
-----  
Title: Partner  
-----

THE MUTUAL BENEFIT LIFE  
INSURANCE COMPANY

By: /s/ Walter A. Appel  
-----  
Name: Walter A. Appel  
-----  
Title: Vice President  
-----

HEWLETT-PACKARD DEFERRED  
PROFIT SHARING TRUST

By: /s/ Robert P. Wayman  
-----  
Name: Robert P. Wayman  
-----  
Title: Executive Vice President  
-----  
Finance and Administration  
Chief Financial Officer



ANNEX B

LENDER -----	VALUE OF SHARE OF RECAPITALIZATION FEE -----	NUMBER OF SHARES OF CLASS A COMMON STOCK, PAR VALUE \$0.01/SHARE -----
Chase Manhattan Bank, N.A.	\$583,333.33	111,111
CIG & Co.	\$250,000.00	47,619
Mutual Benefit Life Insurance Company	\$ 83,333.34	15,873
Hewlett-Packard Deferred Profit Sharing Trust	\$ 83,333.34	15,873

## MUTUAL RELEASE

MUTUAL RELEASE dated as of August 4, 1994 (this "Release"), between FIDELITY FEDERAL BANK, a Federal Savings Bank ("Fidelity"), CITADEL HOLDING CORPORATION (the "Guarantor," and together with Fidelity, the "Company"), THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) ("Chase"), CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Connecticut General"), CIG & CO. ("CIG"), THE MUTUAL BENEFIT LIFE INSURANCE COMPANY ("Mutual"), and HEWLETT PACKARD DEFERRED PROFIT SHARING TRUST ("HP," and together with Chase, Connecticut General, CIG and Mutual, the "Lenders").

## R E C I T A L S

A. The Company and the Lenders entered into that certain Loan Agreement dated as of May 15, 1990 (the "Loan Agreement") under which the Company issued \$60,000,000 in 11.68% Subordinated Notes (the "Notes") to the Lenders. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Letter Agreement, as defined below.

B. The Company intends to consummate a restructuring transaction (the "Restructuring") comprised of, among other things, (i) the transfer or disposition in one or more bulk asset sales of a pool consisting primarily of troubled assets with an estimated current aggregate net book value of approximately \$465 million and (ii) the sale of, or disposition of a controlling interest in, Fidelity.

C. On March 4, 1994, Chase commenced an action against Fidelity, the Guarantor and the Chairman of the Board of the Guarantor (the "Chase Action") relating to, among other matters, the effect of the Restructuring on the Company and the indebtedness outstanding under the Loan Agreement.

D. The Company and the Lenders entered into that certain letter agreement, dated as of June 3, 1994 (the "Original Letter Agreement" or, as amended by Amendment No. 1 and Amendment No. 2, as defined below, and by any amendments subsequent thereto, the "Letter Agreement") pursuant to which the Company tendered, and the Lenders accepted, on the terms provided for thereby, an offer to redeem the Notes and the Chase Action was settled.

E. The Company and the Lenders entered into a letter agreement dated as of June 20, 1994 ("Amendment No. 1"), pursuant to which the parties amended and/or waived certain conditions of the Original Letter Agreement.

F. On June 20, 1994, Chase filed its Stipulation of Dismissal with respect to the Chase Action.

G. The Company and the Lenders entered into a letter agreement dated as of July 28, 1994 ("Amendment No. 2"), pursuant to which the parties amended certain provisions of the Original Letter Agreement.

H. It is a condition precedent to the closing of the transactions contemplated by the Letter Agreement that the parties hereto execute and deliver this Release.

A G R E E M E N T  
- - - - -

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves and their respective successors and assigns, hereby agree as follows:

1. Upon receipt by the Lenders of all amounts due them under the Letter Agreement, the Lenders hereby fully, forever and irrevocably release, discharge and acquit the Company, and its respective past and present affiliates, and the respective past and present officers, directors, shareholders, agents, and employees of the Company and each such affiliate, and their respective successors, heirs, and assigns (the Company, together with each and all such affiliates, officers, directors, shareholders, agents, employees and other persons and entities shall be collectively referred to hereinbelow as the "Released Company Parties," and each such reference shall refer jointly and severally to each and all of the Company, the affiliates and all such other persons and entities), of and from any and all rights, claims, demands, obligations, liabilities, indebtedness, breaches of contract, breaches of duty or any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, debts, sums of money, accounts, compensations, contracts, controversies, promises, damages, costs, losses and expenses of every type, kind, nature, description or character, and irrespective of how, why, or by reason or what facts, whether heretofore or now existing, or that could, might, or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, claimed or unclaimed, whether based on contract, tort, breach of any duty, or other legal or equitable theory of recovery, each as though fully set forth herein at length, that in any way arise from or out of, are connected with, or relate to the Loan Agreement, the Notes or the administration of the Loan Agreement or the Notes; provided, however, that the execution and delivery of this Release shall not extinguish or cancel the obligations of the Company set forth in the Letter Agreement (the foregoing,

exclusive of the obligations referred to in the preceding proviso,  
are each a "Lender Claim" or collectively the "Lender Claims").

-----  
2. The Company hereby fully, forever and irrevocably releases, discharges and acquits the Lenders, and their respective past and present affiliates, and the respective past and present officers, directors, shareholders, agents, and employees of the Lenders and each such affiliate, and their respective successors, heirs, and assigns (the Lenders, together with each and all such affiliates, officers, directors, shareholders, agents, employees and other persons and entities shall be collectively referred to hereinbelow as the

"Released Lender Parties," and each such reference shall refer jointly and

-----  
severally to each and all of the Lenders, the affiliates and all such other persons and entities), of and from any and all rights, claims, demands, obligations, liabilities, indebtedness, breaches of contract, breaches of duty or any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, debts, sums of money, accounts, compensations, contracts, controversies, promises, damages, costs, losses and expenses of every type, kind, nature, description or character, and irrespective of how, why, or by reason or what facts, whether heretofore or now existing, or that could, might, or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, claimed or unclaimed, whether based on contract, tort, breach of any duty, or other legal or equitable theory of recovery, each as though fully set forth herein at length, that in any way arise from or out of, are connected with, or relate to the Loan Agreement, the Notes or the administration of the Loan Agreement or the Notes; provided, however, that the execution and delivery of this Release shall not extinguish or cancel the obligations of the Released Lenders set forth in the Letter Agreement (the foregoing, exclusive of the obligations referred to in the preceding proviso, are each a "Company Claim" or collectively the "Company Claims").

-----  
3. Each of the Company and the Lenders (each a "Party") irrevocably

-----  
covenants and agrees that it shall forever refrain from initiating, filing, instituting or maintaining any action in respect of or proceeding upon, or encouraging, advising or voluntarily assisting any other person or entity to initiate, file, institute or maintain any action in respect of or proceed upon, any Company Claim or Lender Claim released in paragraph 1 or 2, respectively, above (each a "Claim").

-----  
4. Each Party represents and warrants that it is the owner of and has not assigned, sold, transferred, or

otherwise disposed of any of the Claims released by it hereunder.

5. As further consideration for this Release, each Party, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released herein are not limited to matters that are known or disclosed, and each Party hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the Civil Code of the State of California (or any other statute or common law principles of similar effect), which Section provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

In this connection, each Party hereby agrees, represents, and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses, and expenses that are presently unknown, unanticipated, and unsuspected, and it further agrees, represents, and warrants that this Release has been negotiated and agreed upon in light of that realization and that it nevertheless hereby intends to release, discharge, and acquit the Released Company Parties or Released Lender Parties, respectively (each a "Released Party") released by it hereunder from any such unknown causes

-----  
of action, claims, demands, debts, controversies, damages, costs, losses, and expenses that in any way arise from or out of, are connected with, or in any way relate to the Loan Agreement, the Notes or the administration of the Loan Agreement or the Notes, except as expressly provided above.

6. It is understood and agreed that the acceptance of delivery of this Release by the Parties shall not be deemed or construed as an admission of liability by any Released Party, and each such party hereby expressly denies liability of any nature whatsoever arising from or related to the subject of the within Release, except to the extent of the Company's obligations set forth in the Loan Agreement and the Notes.

7. Each Party hereby agrees, represents, and warrants that it has had advice of counsel of its own choosing in negotiations for and in the preparation of this Release, that it has had this Release fully explained by such counsel,

and that it is fully aware of the contents and legal effect of this Release. This Release may be pleaded as a full and complete defense to or be used as the basis for any injunction against any action, suit, or other proceeding that may be instituted, prosecuted, or attempted in breach of this Release.

8. This Release shall be binding upon and for the benefit of the Released Parties and their respective successors, heirs, devisees, executors, affiliates, representatives, assigns, officers, agents, and employees wherever the context requires.

9. This Release is governed by and shall be construed under the laws of the State of New York. EACH OF THE PARTIES HERETO SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK CITY FOR THE PURPOSES OF ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS RELEASE.

10. This Release may be executed in counterparts, each of which shall be deemed to be an original but all of which when taken together shall constitute one and the same instrument.

11. This Release has been duly executed on behalf of each of the undersigned as of the date set forth above.

12. This Release contains the entire understanding of the Parties with respect to the subject matter hereof and may not be modified except by written instrument signed by all Parties. Execution and delivery of this Release, however, does not invalidate or otherwise limit the effectiveness of that certain Mutual Release dated June 17, 1994 by and between Chase and the Company, which Mutual Release continues to be in full force and effect.

FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: /s/ Godfrey B. Evans

Name: Godfrey B. Evans

Its: Executive Vice President

CITADEL HOLDING CORPORATION

By: /s/ Godfrey B. Evans

Name: Godfrey B. Evans

Its: Executive Vice President

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By: /s/ Pamela Stumpp

Name: Pamela Stumpp

Its: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE  
COMPANY

By: Cigna Investments, Inc

Name: James F. Coggins, Jr.

Its: Managing Director

CIG & CO.

By: /s/ James F. Coggins, Jr.

Name: James F. Coggins, Jr.

Its: Partner

THE MUTUAL BENEFIT LIFE INSURANCE  
COMPANY

By: /s/ Walter A. Appel

Name: Walter A. Appel

Its: Vice President

HEWLETT-PACKARD DEFERRED PROFIT  
SHARING TRUST

By: /s/ Elizabeth Obershaw

Name: Elizabeth Obershaw

Its: Manager, Benefit Fund  
Investments

-----

MUTUAL RELEASE

-----

WHEREAS, the Chase Manhattan Bank, N.A. ("Chase") entered into a loan agreement (the "Loan Agreement") with, among others, Fidelity Federal Bank, FSB ("Fidelity"), pursuant to which Chase loaned Fidelity \$35 million and received a Subordinated Note to evidence Fidelity's obligation to repay such principal amount; and

WHEREAS, Citadel Holding Corporation ("Citadel") is the parent company of Fidelity, and whereas Citadel has guaranteed payment of Fidelity's obligations under the Loan Agreement and the Subordinated Notes delivered thereunder (the "Notes"); and

WHEREAS, Chase commenced an action entitled The Chase Manhattan Bank, N.A.

-----  
v. Fidelity Federal Bank, FSB, et al., 94 Civ. 1504 (RPP) (the "Action")  
-----

against, among others, Fidelity and Citadel (together, "Defendants") by filing a Complaint (the "Complaint") on March 4, 1994; and

WHEREAS, Defendants deny each and every material allegation contained in the Complaint; and

WHEREAS, Chase, Fidelity and Citadel, among others have entered into a certain Letter Agreement dated as of June 3, 1994 (the "Letter Agreement") and it is a condition to the obligations of the parties thereunder that this Mutual Release be executed and delivered by the parties hereto;



NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Chase and Defendants agree as follows:

Release of Defendants  
-----

1. Chase, for itself and its predecessors, successors, subsidiaries, parent companies, affiliates, divisions, related entities and assigns, and all of their respective past and present officers and directors and, to the fullest extent of their power to do so, their shareholders, in their capacities as such, and each and every one of them (hereinafter individually and collectively referred to as the "Chase Releasers") do hereby remise, release, exonerate and forever discharge Fidelity and Citadel and each and all of their respective predecessors, successors, subsidiaries, parent companies, affiliates, divisions, related entities and assigns, and all of their respective past and present officers, directors and shareholders, in their capacities as such, and their respective successors in interest, including, but not limited to, their respective successors, heirs and assigns (hereinafter individually and collectively referred to as the "Fidelity/Citadel Releasees") of and from any and all manner of action, suits, obligations, costs, expenses, damages, losses, liabilities, claims and demands (collectively, "Claims") which the Chase Releasers, or any of them, ever had, now have, or hereafter can, shall or may

have against the Fidelity/Citadel Releasees, or any of them, whether or not now known, suspected, or claimed, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to and including the date of this Mutual Release, arising out of, or relating in any way to (i) the subject matter of the Complaint, (ii) the Loan Agreement, the Notes and the indebtedness evidenced thereby (excluding Claims involving criminal or fraudulent conduct or misrepresentation regarding funds or property) or (iii) the Restructuring (as defined in the Letter Agreement); provided, however, that nothing contained

-----  
herein shall release Defendants from their continuing obligations under or in respect of the Loan Agreement, the Notes and the Letter Agreement, which instruments and agreements remain in full force and effect.

Release of Chase

-----

2. Fidelity and Citadel, for themselves and their predecessors, successors, subsidiaries, parent companies, affiliates, divisions, related entities and assigns, and all of their respective past and present officers and directors and, to the fullest extent of their power to do so, their shareholders, in their capacities as such, and each and every one of them (hereinafter individually and collectively referred to as the "Fidelity/Citadel Releasees"), do hereby remise, release, exonerate and forever discharge Chase, and all of its

predecessors, successors, subsidiaries, parent companies, affiliates, divisions, related entities and assigns, and all of their respective past and present officers, directors, and shareholders, in their capacities as such, and their respective successors in interest, including, but not limited to, their respective successors, heirs, and assigns (hereinafter individually and collectively referred to as the "Chase Releasees") of and from any and all manner of Claims which the Fidelity/Citadel Releasors, or any of them ever had, now have, or hereafter can, shall, or may have, against the Chase Releasees, or any of them, whether or not now known, suspected, or claimed, for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of the world to the date of this Mutual Release, arising out of, or relating in any way to (i) the Loan Agreement, the Notes and the indebtedness evidenced thereby, (ii) the Restructuring (as defined in the Letter Agreement), (iii) initiation and prosecution of the Action, and (iv) the subject matter of the Complaint; provided however, that nothing contained herein shall release Chase from its

-----  
continuing obligations under or in respect of the Loan Agreement and the Letter Agreement, which agreements remain in full force and effect.

3. Each party understands that the releases in paragraphs 1 and 2 extend to unknown and unsuspected claims, and in that regard, each party acknowledges that it has

read, considered and understands the provisions of Section 1542 of the California Civil Code, which reads as follows:

"Certain Claims Not Affected by General Release. A general release does

-----  
not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Based upon the advice of its respective counsel, each party hereby expressly, knowingly and voluntarily waives and relinquishes any and all rights that it may have under Section 1542 as well as under the provisions of all comparable, equivalent, or similar statutes and principles of common law or other decisional law of any and all states of the United States or of the United States.

Miscellaneous

-----

4. This Mutual Release shall be construed in accordance with and governed by the laws of the State of New York applicable to instruments negotiated, made and performed entirely within that State.

5. This Mutual Release shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors, and administrators.

6. This Mutual Release contains the entire understanding of the parties with respect to the within subject matter and may not be modified except by written instrument signed by all parties hereto.

Dated: June 17, 1994

THE CHASE MANHATTAN BANK, N.A.

By: /s/ Pamela M. Stumpp

-----  
Pamela M. Stumpp  
Title: Managing Director

FIDELITY FEDERAL BANK, FSB

By: /s/ Godfrey B. Evans

-----  
Name: Godfrey B. Evans  
Title: Executive Vice President

CITADEL HOLDING CORP.

By: /s/ Godfrey B. Evans

-----  
Name: Godfrey B. Evans  
Title: Executive Vice President

ACKNOWLEDGMENT

STATE OF NEW YORK )  
                  : ss.:  
COUNTY OF NEW YORK )

On June 17, 1994 before me, a Notary Public, personally came Pamela M. Stump, to me known, who, by me duly sworn, did depose and say that deponent is a Managing Director of The Chase Manhattan Bank, N.A., the entity which executed the foregoing MUTUAL RELEASE, and that deponent was duly authorized to execute the MUTUAL RELEASE on behalf of The Chase Manhattan Bank, N.A.

/s/ ANTHONY J. VOTA

-----  
Notary Public

ANTHONY J. VOTA  
Notary Public, State of New York  
No. 41-4931151  
Qualified in Queens County  
Certificate filed in New York County  
Commission Expires June 20, 1994







FIDELITY FEDERAL BANK,  
Seller

and

COLONY CAPITAL, INC.,  
Purchaser

LOAN AND REO PURCHASE AGREEMENT (PRIMARY)  
Dated as of July 13, 1994

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EXHIBITS

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Exhibit 1.01-A Form of Assignment of Intangible Personal Property	
Exhibit 1.01-B Form of Bill of Sale	
Exhibit 1.01-C Form of Equity Commitment Certification	
Exhibit 1.01-D Form of Half Commitment Certification	

Loan and REO Purchase Agreement (Primary)

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LOAN AND REO PURCHASE AGREEMENT (PRIMARY)

THIS LOAN AND REO PURCHASE AGREEMENT (PRIMARY) (this "Agreement"), dated as of July 13, 1994, is executed by and between Fidelity Federal Bank, a Federal Savings Bank (the "Seller"), and Colony Capital, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Seller owns certain Mortgage Loan Assets (as defined herein) and REO Assets (as defined herein); and

WHEREAS, the Purchaser desires to purchase and the Seller desires to sell such Mortgage Loan Assets and REO Assets and related rights and assets;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Purchaser and the Seller agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms.

Whenever used in this Agreement, the following words and phrases shall have the following meaning specified in this Article and shall apply to the singular and plural forms:

"Agreement" means this Loan and REO Purchase Agreement including the schedules and exhibits hereto and all amendments hereof and supplements hereto.

"Allocated Price" means, as to each Mortgage Loan Asset and each REO Asset, the portion of the Purchase Price attributed to the Mortgage Loan Asset and REO Asset as set forth on the Allocated Price Schedule provided by the Purchaser attached hereto as Schedule 1.01-A.

"ALTA" means the American Land Title Association.

"Apportionment Amount" shall have the meaning set forth in

Section 2.09.

"Appraised Value" means with respect to any REO Property or Mortgaged Property, the value of such REO Property or Mortgaged Property based upon the most recent appraisal thereof contained in the Investors' Review File.

"Assets" means the Mortgage Loan Assets and the REO Assets.

"Assignment" means an assignment of a Mortgage or equivalent instrument in recordable form, or an assignment of a Participation Interest and the related Participation Certificate, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale or transfer of the related Mortgage Loan Asset.

"Assignment of Intangible Personal Property" means an Assignment of Intangible Personal Property substantially in the form of Exhibit 1.01-A hereto.

"Balance Purchase Price" shall be an amount equal to the Purchase Price minus the Deposit.

"Bid Date" means July 8, 1994.

"Bid Information Date" means July 5, 1994.

"Bill of Sale" means a Bill of Sale substantially in the form of Exhibit 1.01-B hereto.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking or savings and loan institutions in the State of California are authorized or obligated by law or executive order to be closed.

"Claims" shall have the meaning set forth in Section 5.08.

"Closing" means the closing of the purchase and sale of the Assets hereunder, as provided in Section 2.01.

"Closing Date" means August 23, 1994, or such other date as is agreed between the Purchaser and the Seller, which date shall be as close to August 23, 1994 as reasonably possible but in no event later than September 30, 1994, time being of the essence.

"Commitment Date" shall have the meaning set forth in Section 6.08.

"Condominium Association" means the condominium association that is responsible for the operation of a Condominium Project.

"Condominium Loan" means any Mortgage Loan that is secured by a Mortgage on a Condominium Unit and identified on the Mortgage Loan Schedule.

"Condominium Project," with respect to a Condominium Unit or REO Condominium Unit, means all real property owned by a Condominium Association and the individual owners of the separate units including the land, the separate units and all common elements.

"Condominium Unit" means each specific unit in a Condominium Project identified on the Mortgage Loan Schedule or the REO Property Schedule.

"Cure Estimate" shall have the meaning set forth in Sections 5.03 or 5.04, as applicable.

"Cure Threshold" means the greater of five percent (5%) of the Allocated Price of the related Asset and \$75,000.

"Cut-off Date" means May 31, 1994.

"Deeds" shall have the meaning set forth in Section 2.04.

"Deposit" means the ten percent (10%) of the Purchase Price that the Purchaser shall deliver to the Deposit Escrow Agent prior to the Closing Date, in two separate tranches, pursuant to Section 2.01. "Deposit" also includes interest on each tranche of the Deposit from the date of receipt by the Deposit Escrow Agent to, but not including, the Closing Date, as provided in the Deposit Escrow Agreement.

Loan and REO Purchase Agreement (Primary)

"Deposit Escrow Agent" means Morgan Guaranty Trust Company of New  
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York.

"Deposit Escrow Agreement" means the Deposit Escrow Agreement dated as  
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of the date of this Agreement, by and among the Purchaser, the Seller and the  
Deposit Escrow Agent.

"Deviation Amount" shall have the meaning set forth in Section 2.09.  
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"Engineering Structural Report" means a report prepared at the request  
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of the Seller, included in the Investors' Review File prior to the Bid Date,  
reporting the results of an inspection of a Property in an area affected by the  
Northridge Earthquake, made by a structural engineer after the Northridge  
Earthquake.

"Environmental Assessment Report" means a written Phase I or Phase II  
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environmental assessment report, independently prepared, included in the  
Investors' Review File prior to the Bid Date, evidencing the results of an  
environmental assessment performed for the purpose of assessing the  
environmental condition of a Property.

"Environmental Hazard" means any condition on a Property by reason of  
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which the Property is not in substantial compliance with a federal, state, or  
local law, ordinance or regulation or any court judgment applicable to the  
Mortgagor or the Property relating to industrial hygiene or to environmental  
conditions including, but not limited to, those relating to the release,  
emission or discharge of substances defined therein as hazardous.

"Equity Commitment Certification" means a certification from J.P.  
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Morgan Securities Inc. or counsel to the Seller that the Seller has received  
written commitments to purchase an amount of shares of the Seller's Common Stock  
pursuant to the Offering Circular having an aggregate purchase price of  
\$110,000,000, substantially in the form of Exhibit 1.01-C hereto.

"Escrow Advance" means the funds advanced by the Seller on behalf of  
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the Mortgagor for taxes and insurance premiums, water rates, mortgage insurance  
premiums, ground rents, assessments for common charges, Condominium Association  
dues, security, key or other deposits, capital improvements or other similar  
payments that have not been reimbursed by such Mortgagor.

"Escrow Agent" means the escrow agent, if any, appointed by the mutual  
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agreement of the Seller and the Purchaser to assist the Closing.

"Escrow Balance" means the positive balance of funds held by the  
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Seller or held in escrow pursuant to any Mortgage for impounds for taxes and  
insurance premiums, water rates, mortgage insurance premiums, ground rents,  
assessments for common charges, Condominium Association dues, security, key or  
other deposits, funds reserved for capital improvements or other similar  
payments.

"Estimated Apportionment Amount" shall have the meaning set forth in  
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Section 2.09.

"Half Commitment Certification" means a certification from J.P. Morgan  
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Securities Inc. or counsel to the Seller that the Seller has received written  
commitments to purchase an amount of shares of the Seller's Common Stock  
pursuant to the Offering Circular having an aggregate purchase price of  
\$55,000,000, substantially in the form of Exhibit 1.01-D hereto.

Loan and REO Purchase Agreement (Primary)  
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"Insured Loss" means any condemnation (or the initiation of

proceedings therefor) that is not a Material Loss and any casualty loss that is not a Material Loss and against which the Seller (or the Purchaser for the purposes of Section 6.05) has valid insurance coverage.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as

amended from time to time, or any successor statute, and the regulations promulgated and the rulings issued thereunder.

"Investors' Review File" means, as to each Mortgage Loan or REO

Property, the information contained in the files made available to the Purchaser's representatives at the Seller's offices located at 700 North Central Avenue, Glendale, California, together with all supplementary information made available to the Purchaser at the Seller's offices or directly to the Purchaser on or before the Bid Information Date, which consists of some or all of the following with respect to a particular Asset: (a) the Loan Documents; (b) any physical inspection report concerning the related Property; (c) any Environmental Assessment Report concerning the related Property; (d) any Engineering Structural Report concerning the related Property; (e) any asset resolution plans prepared by EQ Services; (f) any title updates, current rent rolls, current operating statements, appraisals and similar materials prepared for presentation to investors; and (g) the Confidential Portfolio Information Package dated May 31, 1994 provided to the Purchaser and any amendments, appendices or supplements thereto provided to the Purchaser. The information regarding each Mortgage Loan and REO Property contained in the magnetic tapes delivered to the Purchaser shall also be deemed to be part of the Investors' Review File with respect to such Mortgage Loan or REO Property described therein. Information given to an individual investor in response to an inquiry from that investor is not part of the Investors' Review File.

"Loan Documents" means the Mortgage Note, the Mortgage and any and all

other agreements, certificates, documents or instruments in the Seller's possession or under its control relating to the origination, closing and modification of a Mortgage Loan, including without limitation any related security agreement, UCC financing statement, guaranty, letter of credit, pledge, loan agreement or other instrument creating a security interest in, and lien upon, real and/or personal property; any Participation Agreements, assumption agreements, modification agreements, appraisals, guarantees, insurance certificates, borrower estoppel certifications and subordination agreements for leases, financial and/or operating statements, credit reports, lender's title insurance policy, engineering reports, soil reports, environmental assessment reports and architect's certificate. The Loan Documents may be original documents or copies thereof, whether by photocopy, microfiche, microfilm or on diskette. Loan Documents does not include duplicate materials, correspondence not material to an evaluation of the Assets, internal reports, or any privileged attorney-client communications.

"Material Loss" means a casualty loss with respect to a Property of

more than twenty-five percent (25%) of its Appraised Value on the Cut-off Date, or a condemnation (or the initiation of proceedings therefor) of more than 25% of the Premises of a Property or that substantially impairs (or would impair) the ability to use the Premises of a Property for its intended purpose, whether or not the Seller has insurance against such casualty or condemnation, or any material casualty loss with respect to a Property against which the Seller does not have insurance.

"Mortgage" means the mortgage, deed of trust or other instrument

creating a lien on improved real property or on the tenant's interest under a ground lease of improved real property (including without limitation a Condominium Unit) securing a Mortgage Note.

"Mortgage Loan" means any individual Mortgage Loan that is secured by

a Mortgage, including without limitation a Condominium Loan, and that is identified on the Mortgage Loan Schedule, provided, however, that the Seller may take title to a Mortgaged

Loan and REO Purchase Agreement (Primary)

Property subject to a Mortgage Loan identified on the Mortgage Loan Schedule prior to the Closing Date, in which case such Mortgaged Property shall constitute REO Property under this Agreement.

"Mortgage Loan Assets" means the Mortgage Loans (including Participation Interests), Mortgage Notes and Mortgages.

"Mortgage Loan Principal Balance of Record" means, with respect to any Mortgage Loan, the unpaid principal balance as of the Cut-off Date, after giving effect to all payments of principal received on or before the Cut-off Date and applied as provided in this Agreement.

"Mortgage Loan Schedule" means the list of Mortgage Loans subject to this Agreement and identified on Schedule 1.01-A attached hereto, which schedule sets forth the following information with respect to each Mortgage Loan as of the Cut-off Date:

- (i) the Mortgage Loan identifying number;
- (ii) the name of the Mortgagor;
- (iii) the street address and unit number, if any, of the Property including state and zip code;
- (iv) the type of real property constituting the Property;
- (v) the Mortgage Loan Principal Balance of Record;
- (vi) the original principal balance of the Mortgage Loan;
- (vii) with respect to each Participation Interest, the Participation Interest Percentage and the identity of the Person(s) holding the remaining interests in the related Mortgage Loan;
- (viii) the stated maturity date;
- (ix) any Unapplied Funds as of the Cut-Off Date;
- (x) any unreimbursed servicing advances;
- (xi) the due date of the next payment;
- (x) a code indicating whether the Mortgage Loan bears interest at a fixed or adjustable rate of interest;
- (xi) the monthly payment amounts; and
- (xii) the amount of any impound account.

"Mortgage Note" means the note or other evidence of the indebtedness under a Mortgage Loan.

"Mortgaged Property" means the underlying real property that secures a Mortgage, which in the case of a leasehold mortgage shall mean the tenant's interest in the real property

Loan and REO Purchase Agreement (Primary)



underlying the ground lease or, where the context so requires, the real property underlying the ground lease.

"Mortgagor" means one or more Persons who are the current and

unreleased obligor or obligors on a Mortgage Note or, in some cases, the last known party from whom the Seller accepted payment, all as reflected in the Seller's records.

"Northridge Earthquake" means the major seismic event of January 17,

1994, centered in the Northridge or Reseda area of Los Angeles, California, and all subsequent seismic events deemed to be aftershocks thereto and occurring prior to the Closing Date.

"Notice of Defect" shall have the meaning set forth in Section 5.03.

"Notice of Hazard" shall have the meaning set forth in Section 5.04.

"Offering Circular" means the Offering Circular of the Seller relating

to the issuance and sale of the Seller's Class A Common Stock, par value \$0.01 per share, and Class C Common Stock, par value \$0.01 per share, declared effective by the Office of Thrift Supervision on the date hereof.

"Participation Agreements" means, with respect to any Mortgage Loan,

any agreements to which the Seller is a party relating to any Participation Interest.

"Participation Certificate" means the certificate or other evidence of

a Participation Interest in a Mortgage Loan.

"Participation Interest" means the participation interest in certain

of the Mortgage Loans held by the Seller as set forth on the Mortgage Loan Schedule.

"Participation Interest Percentage" means, for any Mortgage Loan, the

percentage of the Mortgage Loan Principal Balance of Record thereof represented by the related Participation Interest.

"Pending Loan Modification" means the proposed modification of a

Mortgage Loan set forth on the Pending Loan Modifications Schedule pursuant to which the Seller deferred or would defer payments of principal and/or interest, or advanced or would advance funds to the related Mortgagor, together with the resulting modification of the related Mortgage Note, if any, which modification is contemplated by the Seller and such Mortgagor but may not be consummated as of any date between the Cut-off Date and the Closing Date, inclusive.

"Pending Loan Modifications Schedule" means the list of Pending Loan

Modifications identified on Schedule 1.01-B attached hereto, which schedule sets

forth, with respect to each Pending Loan Modification which existed on or after the Cut-off Date, as of the Cut-Off Date and as of the Bid Information Date, the related Mortgage Loan's identifying number, the material terms of the modifications made or proposed, the amount of the related pay-down of the principal balance made or proposed, if any, and the amount of the advance made or proposed to be made upon the consummation of the Pending Loan Modification, if any. At the Closing Date, the Pending Loan Modifications Schedule shall be updated to reflect the Pending Loan Modifications as of the Closing Date and the consummation or other disposition of the Pending Loan Modifications set forth on the Pending Loan Modifications Schedule with respect to the Bid Information Date.

Loan and REO Purchase Agreement (Primary)

"Permitted Encumbrances" means (a) the lien of real estate taxes and

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assessments, ground rents and other obligations under ground leases, personal property taxes, water rates, water frontage charges and/or meter charges, sewer taxes or rents, and vault charges, in each case not yet due and payable or, if due and payable, which may be paid without interest or penalties, (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record of a type acceptable to lending institutions generally, (c) mechanics' or similar liens or claims for work, labor and materials relating to work performed by tenants on such Property, (d) zoning and other land use restrictions and ordinances, including, without limitation, landmark, historic and wetland designations, (e) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided, in the case of a Mortgaged Property, by the related Mortgage, and in the case of an REO Property, by the mortgage granted in connection with the REO Loan, (f) rights of tenants under leases or other rights of tenants or rights of other occupants of the Premises, (g) any laundry or other equipment leases, and (h) in addition, in the case of any Condominium Loan, (1) the lien of the Condominium Association on the related Condominium Unit or REO Condominium Unit provided for in the related documents for the Condominium Unit for enforcement of unpaid maintenance or common expense assessments and (2) rights of the Condominium Association pursuant to the condominium declaration, or the rules, regulations or other operative documents of such Condominium Association.

"Person" means any individual, corporation, partnership, joint

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venture, association, joint-stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

"Post-Closing Consents" means the consents or approvals required to

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transfer any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its related amenities.

"Premises" means, with respect to a Property, the buildings and

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improvements on such Property.

"Properties" means the Mortgaged Properties and the REO Properties.

"Purchase Price" shall be an amount equal to \$277,000,941.

"Purchaser" shall have the meaning set forth in the preamble to this

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Agreement.

"REO Assets" means all the Seller's right, title and interest in and

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to the REO Properties and the REO Personal Property. REO Assets do not include rights to pursue deficiency judgments against any loan obligors from whom such REO Properties were acquired.

"REO Condominium Unit" means each specific unit that is in a

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Condominium Project and is REO Property.

"REO Loan" means a mortgage loan previously held by the Seller

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pursuant to which mortgaged property became REO Property.

"REO Personal Property" means the tangible and intangible personal

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property located on, appurtenant to or used exclusively in connection with the management of, the REO Property on the Closing Date, if any. The Seller makes no representation or warranty concerning the existence of any such REO Personal Property.

Loan and REO Purchase Agreement (Primary)

"REO Property" means (i) the real property to which title has been

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acquired by the Seller by foreclosure, deed in lieu of foreclosure or similar means, including without limitation REO Condominium Units, which is identified on the REO Property Schedule, together with all Mortgaged Properties to which the Seller has taken title prior to the Closing Date, and the related Premises and including without limitation the ground lease described in Schedule 1.01-D

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attached hereto and the Premises on the real property underlying such ground lease. An REO Property (with the exception of REO Condominium Units) includes all of the Seller's ownership and rights, if any, to land lying in the bed of any street or highway, opened or proposed, adjoining the relevant Premises to the center line thereof, and all fixtures, attachments, appliances, equipment, machinery and other articles, if any, attached or appurtenant to the relevant Premises on the Cut-off Date.

"REO Property Schedule" means the list of REO Properties subject to

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this Agreement and identified on Schedule 1.01-E attached hereto, which schedule

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sets forth the following information with respect to each REO Property as of the Cut-off Date:

- (i) the identifying number of the related REO Property;
- (ii) the street address and unit number, if any, of the REO Property including state and zip code; and
- (iii) the type of real property constituting the REO Property.

"Repurchase Price" means, in the case of any Asset to be repurchased

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by the Seller from the Purchaser pursuant to Article VI, Article V or Section 2.06(d) or removed from the Assets sold under this pursuant to Section 2.06, a price equal to the sum of (w) the Allocated Price, plus (x) reasonable and

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necessary out-of-pocket expenses for unreimbursed servicing advances and expenses made by the Purchaser after the Closing Date in respect of such Asset and expenditures of the kind described in Section 2.09 hereof made by the Purchaser with respect to the related Property plus (y) interest on the

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Allocated Price of such Asset on a daily basis, at the Return Rate for each day from the Closing Date to the date of repurchase under the applicable provision of this Agreement, minus (z) all payments, rents and other income or proceeds

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received by the Purchaser with respect to the related Mortgage Loan or REO Property of the kind described in Section 2.07 and Section 2.09, including without limitation any prepayments, insurance proceeds, condemnation proceeds and liquidation proceeds.

"Return Rate" means the rate for deposits in United States dollars for

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three months, as published on the display page designated as "Telerate Page 3750" on the Dow Jones Telerate as of 5:00 p.m. Eastern Time, on the first day of the month of any date of determination (or such other page replacing that page on such date of determination); provided, however, that if such rate is not

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available from the Dow Jones Telerate service, the rate shall be determined on the basis of the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16th of 1%), of the rates at which deposits in United States dollars are offered by the reference banks in the London Interbank Market at 5:00 p.m. Eastern Time, on the date of determination, to prime banks in the London Interbank Market for three months commencing on such date of determination.

"Seller" shall have the meaning set forth in the preamble to this

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Agreement.

"Servicing Agreement" means an interim servicing agreement, if any, to

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be dated as of the Closing Date, that the Purchaser, at its option, may enter into with the Seller, providing for a servicing fee for performing loans of 25 basis points per annum based on the Mortgage Loan Principal Balance of Record of each performing loan. The other terms of such interim servicing agreement shall be reasonably acceptable to the Purchaser and the Seller.

Loan and REO Purchase Agreement (Primary)

"Structural Defect" means a condition of the structure of the

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improvements on a Mortgaged Property or an REO Property resulting from faulty engineering, construction, labor or materials, or from fire or other casualty (including the Northridge Earthquake) which has a material adverse impact on the value and use of the Property. "Structure" for the purpose of the foregoing definition means the foundation, exterior walls and interior bearing walls. "Structural Defect" shall not include (a) the failure of any component of the structure to be suitable for a use for which it was not intended when built or installed; (b) any condition which exists by reason of normal wear and tear; (c) any condition in the nature of deferred maintenance; (d) any condition which exists because the structural component has outlived its useful life or functional utility; (e) any condition which causes a material adverse impact on the value and use of the Property solely because the structure is not in compliance with a law, regulation, code or standard which did not apply when the structural component was built or installed, including, without limitation, the Americans With Disabilities Act of 1990.

"Unapplied Funds" means funds received by Seller with respect to a

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Mortgage Loan that have not been allocated on the books of the Seller.

## ARTICLE II

### SALE AND CONVEYANCE OF ASSETS

#### Section 2.01 Purchase and Sale of Assets.

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The Seller hereby agrees to sell, assign, transfer, set over and convey to the Purchaser, and the Purchaser hereby agrees to purchase, all of the Seller's right, title and interest in and to the Assets, without recourse to the Seller except as expressly set forth herein, on the Closing Date. The Mortgage Loan Assets, other than the Participation Interests, are being sold to the Purchaser with any obligation or right of the Seller to service the Mortgage Loans being released and terminated as of the Closing Date, except as provided in the Servicing Agreement. The Purchaser hereby agrees to assume each and every obligation of the Seller (if any) arising on or after the Closing Date and relating to the Assets and the Participation Agreements. On the Closing Date, the Seller shall also deliver to the Purchaser or to a custodian designated by the Purchaser all documents and instruments specified in Sections 2.03 and 2.04.

Not later than July 14, 1994, the Purchaser shall deposit with the Deposit Escrow Agent, by wire transfer in immediately available funds to the account specified by the Deposit Escrow Agent, \$5,000,000 to hold in accordance with the terms of this Agreement and the Deposit Escrow Agreement. On the later of July 26, 1994 and the date that the Purchaser receives the Equity Commitment Certification, subject to the condition that the Purchaser receives the Equity Commitment Certification on or before August 4, 1994 or such later date as the Seller and the Purchaser may agree, the Purchaser shall deposit an additional \$22,700,094 with the Deposit Escrow Agent, by wire transfer in immediately available funds to the account specified by the Deposit Escrow Agent, to hold in accordance with the terms of this Agreement and the Deposit Escrow Agreement. The Deposit Escrow Agent shall maintain the Deposit in accordance with the terms of the Deposit Escrow Agreement.

On the Closing Date, the Deposit shall be released by the Deposit Escrow Agent and paid to the Seller, and the Purchaser shall pay to the Seller or its designee, by wire transfer in immediately available funds to the account specified by the Seller, the Balance Purchase Price, plus or minus, as the case may be, the Estimated Apportionment Amount. The Seller and the Purchaser agree that no part of the Purchase Price is allocable to any REO Personal Property.

Loan and REO Purchase Agreement (Primary)

The Closing shall take place at the offices of the Seller or its attorneys at 9:00 AM (P.D.T.) on the Closing Date or, upon reasonable notice by the Seller to the Purchaser, at such other time or place on the Closing Date as may be designated by the Seller.

Section 2.02 Servicing.  
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The servicing rights related to the Mortgage Loans shall be transferred to the Purchaser on the Closing Date, subject to the terms of the Servicing Agreement. From the Cut-off Date up to and including the Closing Date, without the consent of the Purchaser, the Seller shall continue to service the Mortgage Loans and the REO Properties, to the extent practicable, using the same servicing procedures applicable to the Mortgage Loans and the REO Properties as the Seller utilized for its own account prior to the Cut-off Date, except that between the date of this Agreement and the Closing Date the Seller will not, without the consent of the Purchaser, modify the terms of any Mortgage Loan or affirmatively waive any material obligation of the borrower or right of the lender under any Mortgage Loan, conclude any foreclosure proceeding in respect of any Mortgaged Property or take title pursuant to such proceeding, or take title to any Mortgaged Property by accepting a deed in lieu of foreclosure, except in each case as described on the Pending Loan Modifications Schedule. The Purchaser acknowledges that the Seller does not have servicing rights for the Participation Interests, and the Purchaser purchases and accepts the Participation Interests subject to the servicing rights held by third parties. The Purchaser shall execute and deliver the Servicing Agreement on the Closing Date, which shall govern the servicing of the Mortgage Loans thereafter for the term thereof.

Section 2.03 Delivery of Mortgage Loan Assets.  
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The Seller shall, on the Closing Date, subject to any contrary provisions in the Servicing Agreement, deliver and release to the Purchaser or to a custodian designated by the Purchaser the documents listed below in respect of each Mortgage Loan Asset:

(i) The original Mortgage Note or Participation Certificate endorsed, "Pay to the order of [Purchaser or Purchaser's affiliate], without recourse" and signed in the name of the Seller by an authorized officer thereof, or a lost note affidavit (which shall include a certification as to an attached copy of such Mortgage Note) or other reasonably acceptable evidence of the issuance of such Mortgage Note or Participation Certificate, with indemnification by the Seller for any material losses caused by the Seller's failure to deliver the original Mortgage Note or Participation Certificate.

(ii) The original recorded Mortgage with evidence of recording thereon or, if the original mortgage has not yet been returned from the recording office or is not in the Seller's files, a copy of the original Mortgage certified by the Seller to be a true copy of the original of the Mortgage which has either been sent for recording or is recorded in the appropriate recording office of the jurisdiction in which the Mortgaged Property is.

(iii) An Assignment.

(iv) Originals of any intervening Assignments with evidence of any recording thereof or, if the original thereof is not in the Seller's files, a copy of such Assignment certified by the Seller to be a true copy of the original of such Assignment in the form recorded, if recorded, showing an unbroken chain of ownership and assignment of the Mortgage Loan.

Loan and REO Purchase Agreement (Primary)  
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(v) The original or a copy of the title insurance policy.

(vi) The original or a copy of the policy of mortgage insurance, if any, or evidence thereof.

(vii) Originals or copies certified by the Seller of all assumption, modification and substitution agreements, if any.

(viii) Copies of any Participation Agreements.

(ix) The other Loan Documents contained in the Investors' Review File, if any.

In the event that, with respect to any Mortgage Loan, the Seller does not deliver any document described in clauses (iv) through (ix) above, the Closing shall occur and the Purchaser shall have the rights set forth in Section 6.01. The Seller will also deliver a Pending Loan Modifications Schedule updated to set forth the Pending Loan Modifications which have been consummated or abandoned between the Bid Information Date and the Closing Date and the Pending Loan Modifications which remain to be consummated as of the Closing Date.

Section 2.04 Delivery of REO Assets.  
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The Seller shall, on the Closing Date, deliver and release to the Purchaser or to a custodian designated by the Purchaser the following documents and items in respect of each REO Asset:

(i) Grant deeds or their equivalent (special warranty deeds) under the law of the State where the REO Property is located (the "Deeds"), duly executed and acknowledged by the Seller, in proper form  
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for recording, conveying to the Purchaser good and marketable fee simple title to the REO Properties, subject only to Permitted Encumbrances and such other matters to which the Purchaser is required or agrees to be subject pursuant to this Agreement. For convenience, at the Seller's option, there may be omitted from the Deeds a listing of all Permitted Encumbrances and such other matters, but, nevertheless, such Permitted Encumbrances and other matters shall be incorporated therein by reference to this Agreement and shall survive the delivery thereof.

(ii) Copies of foreclosure deeds, certificates of foreclosure, deeds in lieu of foreclosure and related documents by which the Seller acquired its ownership rights to the REO Properties to the extent applicable and in the possession of, or reasonably available to, the Seller.

(iii) An assignments of leases, assigning to the Purchaser all of the Seller's right, title and interest as landlord in and to leases of the REO Properties or portions thereof, if any, together with security deposits held by the Seller, and pursuant to which the Purchaser assumes all of the Seller's duties and obligations with respect thereto (but which does not provide for the Purchaser to have any personal liability where the Seller had no personal liability), together with such executed leases as the Seller has in its possession.

(iv) A Bill of Sale duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the tangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

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(v) An Assignment of Intangible Personal Property duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the intangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(vi) Keys and any other access devices for each REO Property to the extent available and in the possession of the Seller or instructions as to where such keys and other access devices are located.

(vii) Assignments and assumptions of any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its amenities, to the extent all necessary approvals and consents to make such assignment have been obtained. The Seller shall promptly assign to the Purchaser and the Purchaser shall assume any such franchise agreement, service contract, management contract or liquor license upon the receipt by the Seller of all approvals and consents which the Seller reasonably considers necessary to make such assignment.

(viii) An affidavit stating that the Seller is not a "foreign person" pursuant to Section 1445(b)(2) of the Internal Revenue Code (and the Purchaser agrees that upon the execution and delivery of such to the Purchaser, no deduction shall be made or claimed against the Purchase Price by reason of the requirements of Section 1445 of the Internal Revenue Code).

(ix) An affidavit stating that Seller is exempt from the withholding provisions of California Revenue and Taxation Code Sections 18805 and/or 26131.

In the event that, with respect to any REO Property, the Seller does not deliver any item described in clauses (ii) through (ix) above, the Closing shall occur and, if such non-delivery is of a document described in clauses (ii) through (vii) above, then the Purchaser shall have the rights set forth in Section 6.01.

Section 2.05 Recordation of Assignments and Deeds; Transfer Taxes.  
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(a) The Purchaser shall be responsible for and shall bear the expense of recording Assignments and Deeds to the Purchaser.

(b) The Purchaser shall promptly upon the Closing record all Assignments and Deeds and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with the purchase of the Assets contemplated by this Agreement.

(c) The Seller shall execute and deliver to the title insurance company selected by the Purchaser a gap indemnity in a form reasonably acceptable to the Seller, covering a period of up to twenty (20) days following the Closing Date, pursuant to which the Seller will indemnify such title insurance company with respect to actions taken by the Seller after the Closing Date that would create additional liens or encumbrances or otherwise impair the title granted to the Purchaser at the Closing, other than the purchase money financing of certain of the Assets agreed upon between the Purchaser and the Seller.

(d) The Seller and the Purchaser may mutually agree to effect the Closing for all or a portion of the Assets through an Escrow Agent, which Escrow Agent may, among other things, prepare, record and deliver Deeds and Assignments, in which case Escrow Agent shall

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record and deliver such documents in accordance with the terms hereof and any supplementary escrow instructions mutually executed and delivered by the Seller and the Purchaser. The Seller and the Purchaser shall take such actions as the Seller may reasonably require in order to allow the selected transactions to close through the Escrow Agent, including without limitation the depositing of documents with the Escrow Agent. The costs and expenses of the Escrow Agent shall be borne equally by the Seller and the Purchaser.

Section 2.06 Risk of Loss; Insurance.  
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(a) From and after the Closing Date the Purchaser assumes all risk of loss to the Properties and shall arrange for insurance coverage at its discretion.

(b) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers a Material Loss, then the related Asset will not be sold (and the related Mortgage Loan or REO Property will not be deemed a Mortgage Loan or REO Property hereunder) and the Purchase Price will be reduced by the corresponding Allocated Price.

(c) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers an Insured Loss, then the Purchaser shall purchase the related Asset and the Seller shall assign to the Purchaser the condemnation proceeds or the proceeds of the insurance covering the Insured Loss, as applicable.

(d) If a determination as to whether a Material Loss or an Insured Loss has occurred with respect to a Property cannot be made prior to the Closing Date, the Purchaser shall purchase the related Asset as if such Property had suffered an Insured Loss, provided, however, that if a determination is made

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within sixty (60) days after the Closing Date that such Property suffered a Material Loss, then the Purchaser, at its option, may require the Seller to repurchase the related Asset at its Repurchase Price by so notifying the Seller within ten (10) Business Days of such determination. The Seller's obligation to repurchase any Asset pursuant to this Section 2.06(d) shall be subject to earlier termination under Section 6.02 hereof.

Section 2.07 Allocation of Mortgage Loan Payments.  
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(a) Subject to the Closing, funds received with respect to Mortgage Loans shall be allocated as follows, provided that payments received from any Mortgagor without specific instructions from the Mortgagor or express provisions governing such payments either herein or in the Loan Documents (including as modified by documents in connection with any Pending Loan Modifications) shall be applied by the Seller first to unpaid Escrow Advances, second to unpaid and accrued late charges, third to the portion of accrued and deferred earthquake payments (as described in Schedule 2.07(a)(ii)) constituting interest, fourth to any other accrued and unpaid interest and fifth to principal:

(i) With respect to funds received by the Seller prior to the Cut-off Date, (A) the Seller shall be entitled to (1) all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, and (B) the Purchaser shall be entitled to the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to principal upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due.

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(ii) With respect to funds received after the Cut-off Date and prior to the Closing Date, (A) the Seller shall be entitled to (1) all interest payments, (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, (3) the interest portion of up to four months of payments due before the Cut-off Date that were deferred by a written agreement with the Mortgagor in connection with the Northridge Earthquake, as described in Schedule

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2.07(a)(ii) attached hereto, (4) payments received to reimburse funds

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advanced by the Seller as described in Section 2.12, (5) payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date, provided that the amount of such paydown is set forth on such Pending Loan Modifications Schedule, and (6) payments made prior to the Closing Date constituting payment of late fees, and (B) the Purchaser shall be entitled to all principal payments and other recoveries, paid by or on behalf of any Mortgagor with respect to a Mortgage Loan, including without limitation any remaining Unapplied Funds.

(iii) With respect to funds received after the Closing Date, (A) the Purchaser shall be entitled to all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (B) the Seller shall be entitled to payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date, provided that the amount of such paydown is set forth on such Pending Loan Modifications Schedule. The Purchaser shall pay over to the Seller any amounts received by the Purchaser to which the Seller is entitled, within ten (10) Business Days after the receipt thereof.

(b) All payments that are received prior to the Closing Date by the Seller and that are allocated to Purchaser under Section 2.07(a) shall be either added to the Estimated Apportionment Amount payable to the Purchaser or credited toward the Estimated Apportionment Amount payable to the Seller, as applicable. All such payments accepted by the Seller on or after the Closing Date shall be held for the benefit of the Purchaser and delivered to the Purchaser promptly after receipt thereof. Notwithstanding the foregoing, with respect to a foreclosure of a Mortgage Loan or an REO Loan or the taking of a deed in lieu of foreclosure, funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be apportioned as of the Closing Date in the manner set forth in Section 2.09; and with respect to a foreclosure or similar proceeding that results in the reinstatement of a Mortgage Loan (whether or not such Mortgage Loan is modified in such proceeding), funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be allocated in the manner set forth in Section 2.07(a). The Seller and the Purchaser agree to notify each other of the receipt of any such payments, including without limitation payments received after the Closing Date.

Section 2.08 Escrow Balances.  
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From and after the Closing Date, but subject to the Servicing Agreement, the Purchaser hereby agrees to assume, undertake and discharge any and all obligations of the Seller as may relate to Escrow Balances, including without limitation any obligation to pay interest accruing after the Closing Date to any Mortgagor on the Escrow Balances, if required by applicable law. All Escrow Balances relating to the Mortgage Loans or the REO Property as of the Closing Date shall

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be transferred to the Purchaser, and the Seller shall pay over and/or deliver such amounts to the Purchaser within ten (10) Business Days after the Closing Date against the Purchaser's acknowledgment of receipt thereof. The Purchaser hereby indemnifies and holds the Seller harmless against any and all Claims made as a result of the Purchaser's violation of applicable law, or application of funds, with respect to and only to the extent of the Escrow Balances transferred to the Purchaser hereunder.

Section 2.09 Apportionments.  
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(a) The following items received or paid by or on behalf of the Seller prior to the Closing Date shall be apportioned between the Seller and the Purchaser as of 11:59 p.m. on the day preceding the Closing Date:

(i) All payments, rents and other income or proceeds with respect to the related REO Property (including without limitation payments of the kind described in Section 2.07 with respect to a Mortgaged Property that became an REO Property prior to the Closing Date), on a cash basis, including without limitation, rents, month to month holdover charges, furniture rentals, corporate rentals and services, and laundry equipment rentals.

(ii) Real property taxes and assessments, and amounts prepaid or payable for any hazard insurance policy or other insurance policy being transferred to the Purchaser.

(iii) Utility charges, including water, sewer, electricity and gas, and maintenance charges, if any, for sewers. In conjunction with such apportionments, the Purchaser and the Seller shall notify, or cause to be notified, all utilities servicing the REO Properties of the change in ownership and direct that all future billings be made to the Purchaser at the address of the REO Property with no interruption of service and the Seller shall secure the release of any such utility deposits, provided that the Purchaser shall cooperate in the same without expense to the Purchaser. The Seller shall use its best efforts to procure final meter readings for all utilities as of the Closing Date and to have such bills rendered directly to the Seller. To the extent that tenants are responsible for and receive all such statements, no such notifications shall be required.

(iv) Fees and charges under any management, service, supply, security, maintenance or other similar contracts, and common charges and Condominium Association dues and charges adversely affecting any Condominium Unit or REO Condominium Unit that give rise to a lien thereon prior in right to that of the Seller.

(v) Cash amounts maintained in operating accounts on behalf of any REO Property which is a hospitality property shall be deemed to be expenses prepaid by the Seller on behalf of the Purchaser for expenses to be incurred after the Closing Date, provided that such amounts shall be only that which is reasonably necessary to continue the day-to-day operations of such hospitality property and its related amenities and such amounts shall be transferred to the account of the Purchaser.

(vi) Other operating expenses for the REO Properties, including without limitation prepaid expenses and accounts payable with respect to such expenses.

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(vii) Cash amounts maintained in accounts with property managers of the REO Properties shall be deemed to be expenses prepaid by the Seller on behalf of the Purchaser for expenses to be incurred after the Closing Date, provided that pursuant to the Servicing Agreement, the property manager will be instructed to mark its records to show the ownership of such funds has been transferred to the account of the Purchaser.

(b) The actual net amount of the apportionments described in Section 2.09(a) shall be the "Apportionment Amount." For purposes of the Closing Date

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the Seller shall calculate an estimate of the Apportionment Amount (the "Estimated Apportionment Amount"), on the basis of the actual amounts of any

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items apportioned if known by the Seller as of the Closing Date, or the Seller's good faith estimation of such amounts, if not so known. The Estimated Apportionment Amount shall be adjusted in accordance with the provisions of Sections 2.07, 2.12 and 2.13. The Seller or the Purchaser, as applicable, shall pay to the other party the Estimated Apportionment Amount in accordance with Section 2.01. The Seller shall deliver a reconciliation report to the Purchaser within sixty (60) days after the Closing Date which shall set forth the actual deviations from any such good faith estimations and the overall deviation between the Apportionment Amount and the Estimated Apportionment Amount (the "Deviation Amount"). The party which received the benefit of the Deviation

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Amount shall pay such amount to the other party hereto by wire transfer of immediately available funds to the account specified by the Seller or the Purchaser, as the case may be, within ten (10) Business Days after the Seller delivers such reconciliation report to the Purchaser, or if no account is specified before two Business Days prior to such date, by bank certified check payable in next day funds.

Section 2.10 Payment of Expenses.  
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After the date of this Agreement, the Seller shall continue to pay any expenses of the kind described in Section 2.09 which become due and payable in the ordinary course of business and include such expenses in the apportionment under Section 2.09. The Seller shall not pay any such expenses becoming due and payable on or after the Closing Date.

Section 2.11 Legal Proceedings.  
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(a) With respect to any Mortgage Loan or REO Property that is, as of the Closing Date, the subject of litigation or other legal proceeding (including, without limitation, a bankruptcy, eviction, foreclosure or receivership proceeding), the Purchaser agrees that it shall, at its own cost, within thirty (30) days after the Closing Date, (i) notify the Mortgagor thereunder, the Clerk of the Court, all parties who have appeared, all counsel of record and any other Person required by law to be notified, in each such proceeding, of the transfer of the Mortgage Loan or REO Property, as the case may be, from the Seller to the Purchaser, (ii) file pleadings to relieve the Seller's counsel of record from further responsibility in such litigation or other legal proceeding (unless said counsel has agreed, with the Seller's written consent, to represent the Purchaser in said proceedings at the Purchaser's expense), and (iii) remove the Seller as a party in such action and substitute the Purchaser as the real party-in-interest, and change the caption thereof accordingly. In connection therewith, after the Closing Date, the Purchaser shall have the sole responsibility to obtain all documents pertaining to the Mortgage Loan or REO Property, as the case may be, then in the possession of any such counsel and to determine the appropriate direction and strategy for such litigation or other legal proceeding. The Seller agrees to cooperate and use reasonable efforts to assist the Purchaser in obtaining the release of such documents to the Purchaser. The Purchaser acknowledges that its failure to comply with the provisions of this Section 2.11 may affect the Purchaser's rights in any such litigation or other legal proceeding (and may result, without limitation, in dismissal with prejudice or the running of any statute of limitations). If the Purchaser fails to comply with the above requirements (i) through (iii), the Seller may, but is not obligated to,

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take such actions as it deems necessary to effectuate the provisions of this Section 2.11. Notwithstanding the foregoing, this Section 2.11 shall not apply to any litigation in which the Seller is named as a party defendant.

(b) Any costs and legal fees incurred by the Seller in connection with such litigation or other legal proceeding from and after the Cut-off Date, including without limitation any fees and costs incurred by the Seller in connection with the Purchaser's failure to comply with the above requirements, shall be reimbursed by the Purchaser and the Purchaser hereby indemnifies the Seller therefor. If, after the Closing Date, either party receives an invoice for any legal fees and costs incurred in connection with such litigation or other legal proceeding that are payable by the other party, then the party receiving such invoice shall promptly forward such invoice to the other party and such other party shall pay directly or, in the event the party receiving such invoice has paid the amounts due thereon, reimburse the party receiving the invoice promptly, but not later than ten (10) Business Days following receipt of such invoice.

(c) If the Purchaser shall receive any pleadings relating to any Mortgage Loan or REO Property that name the Seller as a party, then immediately following receipt of any such pleadings the Purchaser shall endeavor to notify the Seller thereof and promptly deliver copies of such pleadings to the Seller and otherwise comply with the provisions of this Section 2.11, provided that the Purchaser shall have no liability for failure to so notify the Seller or provide such documents to the Seller.

Section 2.12 Unreimbursed Advances.  
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Amounts paid by the Seller either pursuant to an agreement with a Mortgagor or as part of the administration and servicing of a Mortgage Loan from the Seller's own funds in payment of real estate taxes, insurance premiums, ground lease rents or other similar costs attributable to the Mortgaged Property, including without limitation Escrow Advances, which are an obligation of the Mortgagor but have not been paid by the Mortgagor prior to the Closing Date shall be either added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable. The right to receive repayment from the Mortgagor of such amounts after the Closing Date shall be transferred to the Purchaser.

Section 2.13 Pending Loan Modifications.  
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(a) The Purchaser acknowledges and agrees that, after the Cut-off Date and prior to the Closing Date, the Seller may continue to negotiate or consummate Pending Loan Modifications and, until the Bid Information Date, may enter into negotiations with Mortgagors that may result in Pending Loan Modifications, consistent with past practice, provided, however, that the Seller shall not, on or after the Bid Information Date, enter into any loan modification other than a modification shown on the Pending Loan Modification Schedule as of the Bid Information Date without the consent of the Purchaser. The modification documents used to consummate any Pending Loan Modification shall substantially conform with the description set forth in the Pending Loan Modification Schedule. The Seller makes no representation or warranty as to whether any or all of the Pending Loan Modifications will be consummated.

(b) There shall be added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable, the amount of funds advanced to Mortgagors pursuant to Pending Loan Modifications that have been consummated prior to the Closing Date as reflected on the Pending Loan Modifications Schedule updated to the Closing Date.

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(c) As of the Closing Date, the Purchaser shall assume the rights and obligations of the Seller with respect to ongoing negotiations with Mortgagors and the consummation of Pending Loan Modifications and the advancement of any funds required thereunder.

Section 2.14 Delinquent Real Estate Taxes and Assessments.  
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The Purchaser shall be responsible for the payment of all delinquent real estate taxes and assessments existing as of the Closing Date with respect to any Mortgaged Property, and any penalties and interest thereon, provided, however, that the Seller shall reimburse the Purchaser for any and all such payments made by the Purchaser after the Purchaser has paid in the aggregate \$1,036,000 for such payments, promptly upon receipt from the Purchaser of a statement therefor.

Section 2.15 Continuing Cooperation; Subsequent Documentation.  
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At any time, and from time to time after the Closing Date, upon the reasonable request of either party hereto, and at the expense of such party, the other party shall do, execute, acknowledge and deliver, and shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required in order to accomplish any provision herein, including without limitation the assignment of any financing statements, guarantees and the like. In addition, in the event that the Seller determines subsequent to the Closing Date that it needs access to any documents relating to a Mortgage Loan or REO Property for accounting, tax, litigation or other purposes, the Purchaser shall promptly provide copies of such documents to the Seller, to the extent in the Purchaser's possession, and at the Seller's expense.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Section 3.01 General Representations and Warranties of the Seller.  
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The Seller represents and warrants to the Purchaser that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Seller is a federal savings bank,  
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duly chartered, validly existing and in good standing under the federal laws of the United States.

(ii) Authorization; Binding Obligation. The Seller has the corporate power and authority to hold each Asset, to sell each Asset, to execute, deliver and perform this Agreement, and to enter into and consummate all transactions contemplated by this Agreement. The Seller has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(iii) No Conflict. The consummation of the transactions  
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contemplated by this Agreement will not conflict with or result in a breach of any of the terms,

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conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement.

(iv) No Litigation. Except for unlawful detainer actions and

actions under the United States Bankruptcy Code against a tenant of a Property or involving a Mortgagor and receivership proceedings with respect to a Mortgaged Property, and except as set forth in Schedule

3.01(iv) hereto, there is no action, suit proceeding or investigation

pending or, to the Seller's knowledge, threatened against the Seller or relating to any Asset, which challenges, relates to, or adversely affects the right, title or interest of the Seller in or to such Asset or, if determined adversely to the Seller, would prevent the consummation of the sale of such Asset to the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization or

order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

(vi) Foreign Person. The Seller is not a foreign person within

the meaning of Section 1445(f) of the Internal Revenue Code, and the Seller agrees to execute any and all documents necessary or required by the Internal Revenue Service in connection with such declaration.

Section 3.02 Representations and Warranties as to the Mortgage Loans.

The Seller hereby represents and warrants to the Purchaser that, as of the Closing Date:

(i) True Information. The information set forth on the Mortgage

Loan Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and the related Mortgage Loan appears on the Mortgage Loan Schedule.

(ii) Ownership. The Seller has good title to, and is the sole

owner of, each Mortgage Loan Asset, free and clear, except as set forth on the Mortgage Loan Schedule, of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance.

(iii) Full Disbursement. Each Mortgage Loan has closed and the

proceeds of each Mortgage Loan have been fully disbursed and there is no requirement for future advances to the Mortgagor thereunder except as described in the Pending Loan Modification Schedule. For purposes hereof, capitalization of interest pursuant to a negative amortization provision shall not be deemed to be an "advance" to the Mortgagor, and any Escrow Balances shall be deemed fully disbursed.

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(iv) First Lien. In the case of each Mortgage Loan, the related

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Mortgage has been properly recorded and is a valid first lien on the related Mortgaged Property, including all improvements on such Mortgaged Property, securing the amounts owed on the related Mortgage Note, subject only to Permitted Encumbrances and delinquent real estate taxes and assessments (except for the Mortgage Loans described in Schedule 3.02(iv) attached hereto, each of which is junior only to

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a first lien mortgage described in such schedule, Permitted Encumbrances and delinquent real estate taxes and assessments). The Seller makes no representation or warranty with reference to the perfection or priority, under the Uniform Commercial Code, of any security interest in personal property.

(v) No Modification. The terms of the Mortgage Notes or the

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Mortgages have not been altered, modified or waived by Seller in any respect, except by a written instrument contained in the Loan Documents in the Investors' Review Files (and recorded in the case of a Mortgage, if necessary, in order to maintain the first priority lien thereof) or as set forth in the Pending Loan Modification Schedules or Schedule 2.07(a)(ii).

(vi) Title Insurance. Each Mortgage Loan is covered by an ALTA

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lender's title insurance policy, or other form of title insurance policy generally acceptable to prudent institutional lenders, issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring, subject only to exceptions described in such policy, the Seller, its successors and assigns as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan. The title insurance policy is in full force and effect and will be in full force and effect on the Closing Date and will inure to the benefit of the Purchaser without any further act. To the best of the Seller's knowledge, no claims have been made under any such title insurance policy.

(vii) Hazard Insurance. Each Mortgage securing a Mortgage Loan

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requires the Mortgagor thereunder to maintain a fire and other hazard insurance policy covering such losses as are covered under a standard extended coverage endorsement with mortgagee rights and protections customary for mortgage lending practices in the locality in which the Mortgaged Property is located, and, to the extent required as of the date of origination of such Mortgage by the Seller consistent with its normal mortgage lending practice, against other risks insured against by persons operating like properties in the locality of the Mortgaged Property.

(viii) No Release. No Mortgage Note or Mortgage has been

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satisfied, canceled, subordinated to another mortgage or rescinded, in whole or in part, and no Mortgaged Property has been released from the lien of the related Mortgage, in whole or in part, except to the extent that any related Mortgaged Properties have become REO Properties prior to the Closing Date.

(ix) Compliance with Laws. With respect to each Mortgage Loan,

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there is no material violation by the Seller of any law pertaining to usury, truth-in-lending, consumer credit protection, equal credit opportunity or any similar law applicable to the origination of such Mortgage Loan at the time it was made, which violation would give rise to a valid defense on the part of the Mortgagor that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

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(x) No Defenses. Except as described in Schedule 3.01(iv)

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hereto, no Mortgage Loan is subject to any valid right of rescission, set-off, abatement or diminution, or any valid counterclaim or defense that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

(xi) Enforceability. Each Mortgage Note and Mortgage is genuine

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and constitutes the legal, valid and binding obligation of the obligor thereunder, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and each contains provisions customary among prudent institutional mortgage lenders so as to render the rights and remedies of the secured lender thereunder adequate for the realization of the material benefits of the security provided thereby.

(xii) Participation Agreements. The Seller has complied with

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all of its material obligations under the Participation Agreements and no consent of the holder of any Mortgage Loan is required to be obtained to permit the Seller to sell any Participation Interest except any such consent which has been obtained.

(xiii) No Cross-Collateralization. No Mortgage Loan is secured

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by any real estate collateral except the lien of the related Mortgage, an assignment of the related leases, and any related security agreement; no Mortgaged Property or REO Property secures any other mortgage loan not included in the pool of Mortgage Loans sold under this Agreement; nor is any Mortgage Loan cross-defaulted with any other mortgage loan nor is any Mortgage Loan secured by the mortgaged property which secures another mortgage loan; except that there may be additional security, cross-collateralization or cross-defaulting if all the cross-collateralized and cross-defaulted Mortgage Loans are included in the pool of Mortgage Loans sold under this Agreement and Mortgaged Properties may secure other Mortgage Loans, if the Mortgage Loans are all included in the pool of Mortgage Loans sold under this Agreement.

(xiv) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related Mortgage Loan. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

(xv) Condemnation. To the best of the Seller's knowledge, there

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is no proceeding pending or threatened for the total or partial condemnation of any Mortgaged Property so as to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the Premises were intended.

(xvi) Originator. Except as described in Schedule 3.02(xvi)

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hereto or the Investors' Review Files, each Mortgage Loan was originated by the Seller, a subsidiary of the Seller, or a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a federal or state banking authority.

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(xvii) No Fraud. There was no fraud on the part of the Seller

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with respect to the origination of any Mortgage Loan originated by the Seller.

Section 3.03 Representations and Warranties as to the REO Properties.

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The Seller hereby represents and warrants to the Purchaser that as of the Closing Date:

(i) True Information. The information set forth on the REO

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Property Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and such REO Property does not appear on the REO Property Schedule (and the related Mortgage Loan appears on the Mortgage Loan Schedule).

(ii) Ownership and Title. With respect to each REO Property,

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the Seller has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances, except for the ground lease described in Schedule 1.01-D with respect to which the Seller has a valid leasehold interest.

(iii) No Delinquencies. There are no delinquent taxes, ground

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rents, water charges, sewer rents, assessments or other similar delinquent charges adversely affecting any REO Property that gives rise to a lien thereon.

(iv) Condemnation. To the best of the Seller's knowledge, there

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is no proceeding pending or threatened for the total or partial condemnation of any REO Property so as to adversely affect the value of the REO Property or the use for which the Premises were intended.

(v) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related REO Property. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

#### ARTICLE IV

##### REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASER

Section 4.01 Representations and Warranties of the Purchaser

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The Purchaser represents and warrants to the Seller that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Purchaser has been duly organized and

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is validly existing and in good standing as a corporation under the laws of the State of Delaware.

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(ii) Authorization; Binding Obligation. The Purchaser has the

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corporate power and authority to execute, deliver and perform this Agreement and to enter into and consummate all the transactions contemplated by this Agreement. The Purchaser has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(iii) No Conflict. The consummation of the transactions

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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

(iv) No Litigation. There is no action, suit proceeding or

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investigation pending or, to the Purchaser's knowledge, threatened against the Purchaser, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization or

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order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents. The Purchaser acknowledges and agrees that the Seller makes no representations or warranties, and there can be no assurances, as to whether or not the Post-Closing Consents will be obtained or as to the time and expense required to obtain such Post-Closing Consents. The Seller shall cooperate with the Purchaser and make every reasonable effort to obtain the Post-Closing Consents, provided,

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however, that the costs of obtaining the Post-Closing Consents and the

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risk of any failure to obtain the Post-Closing Consents shall be borne by the Purchaser.

(vi) Decision to Purchase. The Purchaser is a sophisticated

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investor and its bid and decision to purchase the Assets are based upon its own independent expert evaluations of the Due Diligence Materials and other materials deemed relevant by the Purchaser and its agents. The Purchaser has had an opportunity to examine the Properties and hereby accepts the physical condition and state of repair thereof. The Purchaser hereby expressly acknowledges that it is fully aware of the physical condition and state of repair of the Properties and has inspected the Properties to the extent it has deemed necessary and agrees to purchase the Assets taking into account the related Properties in their "as is" condition "with all faults" as of the Closing Date (including, with respect to Condominium Units and REO Condominium Units, the "as is" condition "with all faults" of the related Condominium Project), except to the extent that the Seller has expressly made a

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representation or warranty in this Agreement. The Purchaser is entering into this Agreement based solely upon such evaluations and inspections, and has not relied upon any oral or written information or any representations or warranties whatsoever from the Seller or any of its respective employees, affiliates, agents or representatives, other than the representations and warranties of the Seller expressly contained herein. WITHOUT LIMITATION OF THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES EXCEPT AS EXPRESSLY CONTAINED IN THIS AGREEMENT, AS TO THE MORTGAGORS, THE PROPERTIES (INCLUDING, WITHOUT LIMITATION, THE VALUE, MARKETABILITY, CONDITION OR FUTURE PERFORMANCE THEREOF, THE EXISTENCE OF ANY LEASES OR THE STATUS OF ANY TENANCIES OR OCCUPANCIES WITH RESPECT THERETO, THE APPLICABILITY OF ANY RENT CONTROL OR RENT STABILIZATION LAWS, OR THE COMPLIANCE OR LACK OF COMPLIANCE THEREOF WITH ANY LAWS, INCLUDING WITHOUT LIMITATION ENVIRONMENTAL AND LAND USE OR OCCUPANCY LAWS) OR OTHERWISE, AND THAT NO EMPLOYEE OR REPRESENTATIVE OF THE SELLER HAS BEEN AUTHORIZED TO MAKE ANY STATEMENTS OR REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT.

(vii) Due Diligence. The Purchaser has been urged, invited and

directed to conduct such due diligence review and analysis of the Investors' Review Files and related information, together with such records as are generally available to the public from local, county, state and federal authorities, record-keeping offices and courts, as the Purchaser deemed necessary, proper or appropriate in order to make a complete informed decision with respect to the purchase and acquisition of the Assets. The Purchaser acknowledges that it has had the opportunity to conduct legal, environmental, on-site and other appropriate due diligence as to each Asset. The Purchaser acknowledges that certain of the Properties were in the geographical area affected by the Northridge Earthquake, and that certain Mortgagors have received loans to repair damage caused by the Northridge Earthquake, some of which loans are unsecured, or secured by liens subordinate to the related Mortgage, and that such unsecured or subordinate loans are not being transferred to the Purchaser. The Purchaser represents that it has conducted its due diligence with full consideration of the foregoing.

(viii) Economic Risk. The Purchaser acknowledges that the

Assets may have limited or no liquidity and the Purchaser has the financial wherewithal to own the Assets for an indefinite period of time and to bear the economic risk of an outright purchase of the Mortgage Loans and a total loss of the Purchase Price for the Assets.

(ix) Nondisclosure. The Purchaser is in full compliance with

its obligations under the terms of any confidentiality agreement executed by the Purchaser to review the information made available by Seller to all potential buyers of the Assets, and the Purchaser acknowledges that any such agreement is not superseded or abrogated by this Agreement, including without limitation as to (a) any liability incurred by the Purchaser for any non-compliance prior to the date of this Agreement or (b) any Assets reviewed by the Purchaser but not acquired by the Purchaser.

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(x) Assistance of Third Parties. The Purchaser hereby agrees

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and acknowledges that the Seller shall have no responsibility or liability to the Purchaser arising out of or related to any third parties' failure to assist or cooperate with the Purchaser except with respect to the Seller's own employees. In addition, the Purchaser is not relying upon the continued actions or efforts of the Seller (except as specifically set forth herein) or any third party in connection with its decision to purchase the Assets. The risks attendant to the potential failure or refusal of third parties to assist or cooperate with the Purchaser and/or the Seller in the effective transfer and assignment of the Assets, and/or related Properties shall be borne by the Purchaser.

(xi) Enforcement/Legal Actions. The Purchaser shall not

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institute any enforcement or legal action or proceeding in the name of the Seller. The Purchaser shall not, except where circumstances reasonably require revealing the purchase of the Assets from the Seller, make reference to the Seller in any correspondence to or discussion with any particular Mortgagor regarding enforcement or collection of the Assets or sale, rental or other disposition of any of the Properties. The Purchaser shall not misrepresent, mislead, deceive, or otherwise fail to adequately disclose to any particular obligor or guarantor the identity of the Purchaser, the owner of the Assets and possession of the Loan Documents. Except as specified above, the Purchaser shall not use the Seller's name, or any name derived therefrom or confusingly similar therewith in connection with the Purchaser's enforcement, collection, or management of the Assets. The Purchaser agrees and acknowledges that there may be no adequate remedy at law for a violation of the terms of this subsection, and the Seller shall have the right to seek the entry of an order by a court of competent jurisdiction enjoining any violation hereof.

(xii) Indemnification of Mortgage Trustee. Purchaser shall

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indemnify, defend and hold Gateway Mortgage Company, a subsidiary of the Seller ("Gateway"), and its officers, directors, employees, agents, affiliates, successors and assigns (each a "Gateway Representative") harmless from and against any and all Claims based upon, arising from or relating to Gateway's or any Gateway Representative's acts or omissions as trustee of any Mortgage from the Closing Date until the date on which Gateway no longer serves as the trustee of such Mortgage; provided that such obligation to indemnify, defend and hold harmless shall apply only to Claims asserted against the Purchaser and Gateway or any Gateway Representative concurrently by the party making the Claim and shall not apply to the gross negligence or willful misconduct of Gateway or a Gateway Representative. Gateway or the Gateway Representative shall promptly notify the Purchaser of any such Claim and the Purchaser shall have the right to assume the defense with respect thereto and control the defense thereof with counsel of the Purchaser's reasonable choice. If the Purchaser elects not to assume such defense, Gateway or the Gateway Representative shall assume the defense of such Claim, and the Purchaser shall reimburse Gateway or the Gateway Representative for its reasonable out-of-pocket legal fees and expenses and costs of investigation with respect to such Claim as the same are incurred. In no event shall Gateway or the Gateway Representative consent to the settlement of any Claim with a third party without the prior written consent of the Purchaser. It is the intent of the Seller and the Purchaser that the obligations of the Purchaser under this subsection shall survive the Closing and the transfer of servicing of the Mortgage Loans, and that Gateway be a third party beneficiary to the provisions of this subsection.

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ARTICLE V

SPECIAL REPRESENTATIONS, WARRANTIES AND  
COVENANTS CONCERNING STRUCTURAL DEFECTS AND  
ENVIRONMENTAL HAZARDS; REMEDIES

Section 5.01 Structural Defects.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section, all of the Structural Defects, if any, in any Property which are not disclosed in the Investors' Review File for the related Mortgage Loan or REO Property, or otherwise disclosed in writing to the Purchaser on or before the Bid Information Date, would not, in the aggregate for such Property, require for their restoration or repair, an amount in excess of the Cure Threshold for such Property.

Section 5.02 Environmental Hazards.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section and in the following sentence, there is no Environmental Hazard in, on or under any Property which would require for its remediation an amount in excess of the Cure Threshold for such Property. No representation or warranty is made with respect to any Property as to which:

(i) the Seller has provided the Purchaser an executive summary of a Phase II Environmental Assessment by delivering to the Investors' Review Files such executive summary on or before the Bid Information Date and the Seller has provided the Purchaser a complete Phase II Environmental Assessment consistent with such executive summary on or before the Closing Date; or

(ii) the Seller has provided the Purchaser a Phase I Environmental Assessment on or before the Bid Information Date, which does not recommend that a Phase II assessment be made of the Property.

Section 5.03 Certificate of Structural Defect.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.01 because there is an undisclosed Structural Defect, the Purchaser shall deliver to the Seller a notice and certificate of structural defect ("Notice of Defect"). A Notice of

Defect shall (i) identify the Mortgaged Property or REO Property which the Purchaser contends has a Structural Defect, (ii) describe the claimed Structural Defect in detail, (iii) include a report from a licensed structural engineer describing the claimed Structural Defect, (iv) include such licensed structural engineer's (A) estimate of the cost to cure such Structural Defect and the repairs to be made, listing materials and component items (the "Cure Estimate"),

or (B) statement that the Structural Defect cannot be cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the Purchaser and such licensed structural engineer to determine that a Structural Defect exists and to prepare the Cure Estimate. The Notice of Defect shall be signed by an officer of the Purchaser.

Section 5.04 Certificate of Environmental Hazard.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.02, the Purchaser may deliver to the Seller a notice and certificate of environmental hazard ("Notice of

Hazard"). A Notice of Hazard shall (i) identify the Mortgaged

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Property or REO Property which the Purchaser contends has an Environmental Hazard, (ii) describe the claimed Environmental Hazard in detail, (iii) include a report from a Registered Professional Engineer or a Registered Engineering Geologist with substantial expertise in environmental matters (an "Environmental

Engineer") describing the claimed Environmental Hazard, (iv) include such

Environmental Engineer's (A) estimate of the cost to cure such Environmental Hazard and the repairs to be made, listing materials and component items (the "Cure Estimate"), or (B) statement that the Environmental Hazard cannot be

cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the Purchaser and such Environmental Engineer to determine that a Environmental Hazard exists and to prepare the Cure Estimate. The Notice of Hazard shall be signed by an officer of the Purchaser.

#### Section 5.05 Limitations.

(a) The representations and warranties in Section 5.01 and Section 5.02 shall terminate and be of no further effect on the earlier of (i) the sixtieth calendar day following the Closing Date, and (ii) the acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by the Purchaser, and no Notice of Defect or Notice of Hazard given by the Purchaser to the Seller after the close of business on that date shall have any force or effect, unless that time has been extended as provided in Section 5.05(b).

(b) Only one Notice of Defect and one Notice of Hazard may be given for any Mortgaged Property or REO Property. If, after diligent and good faith efforts (including without limitation, requesting the assistance of the Seller) to gain access to a Mortgaged Property or an REO Property in order to obtain the report or assessment described in Section 5.01 or 5.02, the Purchaser is unable to gain such access prior to the forty-fifth calendar day following the Closing Date, the date referred to in Section 5.05(a)(i) shall be extended for one day for each day of delay in gaining such access up to a maximum of thirty (30) additional days.

#### Section 5.06 Seller's Options.

Upon receipt of a Notice of Defect or Notice of Hazard, given on or prior to the sixtieth calendar day following the Closing Date (or such extended date as is provided for in Section 5.05(b)), the Seller shall have the following options as to the Mortgage Loan or REO Property to which it relates, to be exercised within sixty (60) days after the Notice of Defect or Notice of Hazard:

(i) The Seller may repurchase the related Asset under the terms of Article VI, without reference to the cure provisions of Article VI.

(ii) The Seller may give notice to the Purchaser that the Seller disputes the accuracy of the Cure Estimate. If the Seller gives such notice, the Purchaser shall, within fifteen (15) days, obtain a second bid for the work from licensed contractors that are independent from those that prepared the Cure Estimate, and deliver such bid to the Seller. The Seller shall, within such period, obtain a third bid for the work from licensed contractors and shall then reimburse the Purchaser, by depositing in an escrow account as described in subsection (iii) below, an amount equal to the average of the two lowest bids among the Cure Estimate, the second bid and the third bid, less the Cure Threshold amount.

(iii) The Seller may give notice that if the Purchaser cures the claimed Structural Defect, or remediates the claimed Environmental Hazard, as the case may be, the Seller will reimburse the Purchaser for the Purchaser's actual costs

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above the Cure Threshold amount. If the Seller gives such notice, the Seller will forthwith deposit into an escrow account, jointly controlled by the Purchaser and the Seller, the difference between the Cure Threshold amount and the Cure Estimate. Upon completion of the cure or remediation (performed as contemplated by the Cure Estimate), the Seller shall pay the Purchaser the difference between the Cure Threshold amount and the actual costs of cure or remediation by disbursement to the Purchaser of the amount held in escrow and further payment by the Seller to the extent the amount held in escrow is insufficient. Any balance of the escrow account after such payment to the Purchaser shall be returned to the Seller.

(iv) The Seller may give notice accompanied by written information showing the basis of its assertion that it asserts (A) the claimed Structural Defect was disclosed to the Purchaser on or prior to the Bid Date, (B) the Investors' Review File related to the Property contained a Phase II Environmental Assessment or a Phase I Environmental Assessment that does not recommend that a Phase II assessment be made of the Property, or (C) the claimed condition in whole or part does not meet the definition of Structural Defect or of Environmental Hazard. If the Seller gives such notice, all of the rights, obligations and time periods provided in this Article V shall be preserved and extended until all issues with respect to the disclosure or existence of the claimed Structural Defect or Environmental Hazard are resolved.

(v) If the Seller makes no election within the time provided, the Seller shall repurchase the related Asset under the terms and subject to the limitations of Article VI, without reference to the cure provisions of Article VI, no later than the 45th day following the Notice of Defect or the Notice of Hazard.

Section 5.07 Environmental Risks.  
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The Purchaser acknowledges and agrees that there may be certain environmental issues and/or risks with respect to a Property (including the Premises) which may or may not be visible or apparent and which may or may not be above or below the surface thereof. Any Environmental Assessment Report or other materials relating to environmental conditions which may be in the Investors' Review File or is otherwise provided or made available by the Seller, is provided with no representations whatsoever as to the accuracy, completeness or timeliness of any information contained in such report or materials, or the expertise with which they were prepared. The Purchaser acknowledges that the Seller has not prepared or warranted such information, and that the Seller shall have no liability whatsoever in connection with such report or materials.

Section 5.08 Purchaser's Release of Seller.  
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The Purchaser, for itself, its successors and its assigns, hereby releases and discharges the Seller and its officers, directors, employees, successors and assigns from and against any and all claims, demands, liabilities, obligations, damages, actions, causes of action, judgments, liens, bonding requirements, losses, expenses, fines, charges, penalties, administrative and judicial proceedings and orders, and enforcement actions of every kind, including attorneys' fees and court costs ("Claims"), known or unknown, present or future, fixed or contingent, against the Seller at any time by reason of or arising out of the violation of the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws by any Person, or the presence of hazardous materials on any Property. Nothing in this Section 5.08 is intended to alter any obligation of Seller under the warranty contained in Section 5.02.

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The Purchaser, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released in this Section 5.08 are not limited to matters that are known or disclosed, and the Purchaser hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the Civil Code of the State of California (or any other statute or common law principles of similar effect), which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

In this connection, the Purchaser hereby agrees, represents, and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims that are presently unknown, unanticipated, and unsuspected, and it further agrees, represents, and warrants that this release has been negotiated and agreed upon in light of that realization and it nevertheless hereby intends to release, discharge, and acquit the Seller and its officers, directors, employees, successors and assigns from any such unknown Claims described in the first paragraph of this Section 5.08.

ARTICLE VI

REMEDIES

Section 6.01 Breach of the Seller's Representations and Warranties;  
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Non-delivery of Documents; Cure; Repurchase.  
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Upon discovery by the Purchaser of (i) a breach of any of the representations and warranties contained in Article III with respect to an Asset for which a good faith estimate of the cost to cure such breach exceeds the Cure Threshold or (ii) the Seller's failure to deliver any document described in Section 2.03(iv)-(ix) and Section 2.04(ii)-(vii), the Purchaser shall give the Seller prompt written notice of such breach or non-delivery specifying in detail such breach or non-delivery and, in the case of a breach, the basis for the estimate of the cost to cure such breach. Such notice shall be given, in the case of any such breach, not later than the day on which the Seller's obligation to repurchase such Asset terminates pursuant to Section 6.02 or, in the case of any such non-delivery of documents, not later than twenty (20) Business Days after the termination of the Servicing Agreement or any subsequent servicing agreement between the Seller and the Purchaser with respect to the related Mortgage Loan or REO Property, if there is such a servicing agreement, or twenty (20) Business Days after the Closing Date, if there is no such servicing agreement. The Seller shall have a period of sixty (60) days from the date it receives such notice from the Purchaser to correct or cure such breach or non-delivery. With respect to any breach, if, at the expiration of such sixty (60) day period, the Seller has not cured or corrected such breach but has made reasonable progress toward effecting a cure or correction and the Seller in good faith believes that such breach can be cured or corrected within a reasonable period of time following the expiration of such sixty (60) day period, then the Seller shall give notice thereof to the Purchaser and shall have a reasonable additional period of time to cure or correct such breach; provided, however,

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that in no event shall such additional period of time extend beyond ninety (90) days following the expiration of the initial sixty (60) day period. If the Seller does not cure such breach or non-delivery within the time periods referred to in the prior two sentences of this Section 6.01 or, if at any earlier time it becomes reasonably determinable by the Seller that such breach or non-delivery cannot be cured or corrected and the Seller so notifies the Purchaser, then upon notice by the Purchaser to the Seller given not later than twenty (20) Business Days after the expiration of

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the period or periods of time to cure or correct (or such earlier notice from the Seller), the Seller shall repurchase from the Purchaser at the Repurchase Price the Asset with respect to which such breach or non-delivery relates in accordance with Section 6.03.

Failure by the Purchaser to give any of the notices specified above within any of the periods specified above shall terminate the Seller's obligations under this Section 6.01 with respect to the related Asset. Furthermore, the foregoing shall not be interpreted to limit in any manner the Seller's right to dispute the existence of any breach or non-delivery specified by the Seller in any such notice.

It is understood and agreed that the remedies contained in this Section 6.01 shall be the sole and exclusive remedies of the Purchaser in connection with any breach by the Seller of the representations and warranties contained in Article III.

Section 6.02 Termination of the Seller's Obligation to Repurchase.  
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The Seller's obligations to repurchase any Asset pursuant to Section 6.01, Article V and Section 2.06(d) shall terminate upon the earlier of (A) one hundred eighty (180) days from the Closing Date (or the earlier date provided in Section 2.06(d) or Article V), except to the extent any notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving the Seller's obligation to repurchase such Asset has previously been given by the Purchaser to the Seller as required prior thereto, and (B) the first to occur of the following events, whether or not notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving the Seller's obligation to repurchase such Asset has previously been given to the Seller:

(i) Any material alteration, modification or waiver of the terms of the related Mortgage Loan, Mortgage Note or Mortgage. Without limitation, it shall be deemed material to modify the Mortgage Loan by extending the maturity date for one year or more, reducing the interest rate by one percentage point or more, reducing the principal balance by ten percent or more, releasing any real property from the Mortgage, or any guaranty or surety, other than as required, and reducing the installment payment amounts such that the Mortgage Loan begins to negatively amortize. Forbearance for four months or less shall not be deemed a material modification.

(ii) The payment in full by Mortgagor or any guarantor or surety, satisfaction, cancellation, release, discharge, subordination or rescission of the related Mortgage Loan, Mortgage Note or Mortgage, provided that the satisfaction of a Mortgage Note and related Mortgage Loan by payment in full by the borrower shall not have the effect of terminating any representation of the Seller contained herein as to the amount of the unpaid principal balance.

(iii) The transfer of title to the related REO Property or the transfer of the related Mortgage Loan, Mortgage Note or Mortgage (except with respect to a Participation Interest), and with respect to a Participation Interest, the transfer of the Participation Interest, by the Purchaser, unless such transfer is to an affiliate of the Purchaser or to a trustee for the benefit of holders of securities representing an undivided interest in Mortgage Loans in a transaction not involving an offer of such securities to the public.

(iv) The condemnation of, or a casualty with respect to, the related Property or a material part thereof, except as provided in Section 6.05. provided that the condemnation of the Property, or a material portion thereof, shall not have

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the effect of terminating any representation of the Seller contained herein as to whether there is any pending or threatened condemnation proceedings.

(v) The taking of any action or any inaction by the Purchaser that would subject the related Mortgage Loan to any valid right of rescission, set-off, abatement or diminution, or any valid counterclaim or defense that would prevent the Seller from foreclosing upon the Mortgaged Property for such Mortgage Loan.

(vi) The acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by Purchaser.

Section 6.03 Transfer of Mortgage Loan Asset Upon Repurchase.  
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Any repurchase of a Mortgage Loan Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall (i) deliver to the Seller all originals and copies of the related Loan Documents and any other documents that were delivered to the Purchaser pursuant to this Agreement regarding such Mortgage Loan, together with any subsequent documents or records pertaining to such Mortgage Loan, as well as to the foreclosure or repossession of the Mortgaged Property; (ii) transfer, convey or assign to the Seller the Mortgage Loan Asset in the same manner as such Mortgage Loan Asset was transferred and assigned from the Seller to the Purchaser by documentation in the same form as that delivered from the Seller to the Purchaser and endorsed, where applicable as follows: "Pay to the order of Fidelity Federal Bank, F.S.B. without recourse" or such other documentation which may be necessary to effect the transfer from the Purchaser to the Seller; and (iii) assign and deliver all escrow accounts and amounts that represent collected and undisbursed impound or escrow funds received by the Purchaser on or after the Closing Date, if any, less any amounts representing negative escrow balances, if any, funded by the Purchaser on or after the Closing Date together with evidence thereof acceptable to the Seller; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.02(ii), the Purchaser has good title to, and is the sole owner of, such Mortgage Loan Asset, free and clear of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance. All amounts paid over to the Seller hereunder shall be without payment of interest thereon.

Section 6.04 Transfer of REO Asset Upon Repurchase.  
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Any repurchase of an REO Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall: (i) convey any such REO Asset to the Seller by means of a quitclaim deed (or its equivalent under the law of the state where the related REO Property is located) delivered to the Seller; (ii) execute and deliver all other documents necessary to reconvey to the Seller all right, title and interest in and to such REO Asset, including, without limitation, assignment and assumption agreements with respect to any leases and keys; (iii) deliver to the Seller all originals and copies of the documents that were delivered to the Purchaser pursuant to this Agreement regarding such REO Property, together with any subsequent documents or records pertaining to such REO Property as well as to any eviction proceedings related thereto; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.03(ii), with respect to each REO Asset being reconveyed, the Purchaser has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances. All amounts paid over to the Seller hereunder shall be without payment of interest thereof. The Seller shall promptly after the repurchase of any REO Asset record the related deed and shall pay, as and when due, any transfer

Loan and REO Purchase Agreement (Primary)  
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taxes, deed stamps, recording fees and other similar charges required to be paid in connection with any repurchase of REO Assets.

Section 6.05 Risk of Loss.  
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The risk of loss to a Property to be repurchased under Article VI remains with the Purchaser until the repurchase is consummated, provided, however, that if after the Seller has received written notice that the Purchaser will require the Seller to repurchase a specific Asset the related Property suffers an Insured Loss, the Seller shall repurchase such Asset and the Purchaser shall assign to the Seller the proceeds of the insurance covering the Insured Loss.

Section 6.06 Withdrawal of Assets Not Conforming to Representations  
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and Warranties.  
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If the Seller determines in good faith, prior to the Closing, that the representation and warranty made by the Seller in Section 3.02(xii) will not be true with respect to a Participation Interest as of the Closing Date, or if the Seller receives an executive summary of a Phase II Environmental Assessment with respect to a Property indicating that there is an Environmental Hazard in, on or under such Property which would require for its remediation an amount in excess of the Cure Threshold, then the Seller, at its option, may withdraw the related Asset from those to be sold to the Purchaser and the Purchase Price shall be reduced by the corresponding Allocated Price (and the related Mortgage Loan or REO Property shall not be deemed a Mortgage Loan or REO Property hereunder).

Section 6.07 Breach of the Purchaser's Representations and Warranties.  
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The remedies of the Seller for any breach by the Purchaser of its representations and warranties contained in Article IV shall be those provided by applicable law.

Section 6.08 Distribution of Deposit and Remedies if No Closing;  
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Termination.  
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If during the period from the date of this Agreement to (but not including) the date (the "Commitment Date") that is the later of July 19, 1994 and the date on which the Purchaser has received the Half Commitment Certification, the Purchaser breaches or anticipatorily breaches this Agreement, the Purchaser shall pay to the Seller \$5,000,000 as liquidated damages by the Purchaser's irrevocable forfeit of such amount from the Deposit held by the Deposit Escrow Agent at the time of such breach and the payment of the balance of the liquidated damage amount in cash within three (3) days of such breach.

If during the period from the Commitment Date until (but not including) the date that is the later of July 26, 1994 and the date on which the Purchaser has received the Equity Commitment Certification, the Purchaser breaches or anticipatorily breaches this Agreement, the Purchaser shall pay an amount equal to five percent (5%) of the Purchase Price to the Seller as liquidated damages by the Purchaser's irrevocable forfeit of the Deposit held by the Deposit Escrow Agent at the time of such breach and the payment of the balance of the liquidated damage amount in cash within three (3) days of such breach.

On and after the date that is the later of July 26, 1994 and the date on which the Purchaser has received the Equity Commitment Certification, in the event that the purchase and sale of the Assets contemplated in this Agreement does not close by the Closing Date, and such failure to close results from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing set forth in Section 7.02, the Purchaser shall pay an

Loan and REO Purchase Agreement (Primary)  
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amount equal to ten percent (10%) of the Purchase Price to the Seller as liquidated damages by the Purchaser's irrevocable forfeit of the Deposit held by the Deposit Escrow Agent at the time of such breach or failure and the payment of the balance of the liquidated damage amount in cash within three (3) days of such breach or failure.

In the event that the purchase and sale of the Assets contemplated in this Agreement does not close by the Closing Date and such failure to close results from a breach of this Agreement by the Seller or the Seller's failure to satisfy a condition precedent to the Closing set forth in Section 7.01, or a condition precedent to the Closing set forth in Section 7.01 shall fail prior to the final date provided for the performance thereof, the Seller shall pay to the Purchaser \$2,500,000 as liquidated damages within three (3) days of such breach or failure and shall notify the Deposit Escrow Agent to repay the Deposit to the Purchaser.

THE PURCHASER AND THE SELLER AGREE THAT, IN THE EVENT OF SUCH BREACH, ANTICIPATORY BREACH OR FAILURE, THE SELLER'S OR THE PURCHASER'S ACTUAL DAMAGES MIGHT BE DIFFICULT TO ASCERTAIN BECAUSE OF UNCERTAINTIES IN THE MARKET FOR THE ASSETS AND POTENTIAL FLUCTUATIONS OVER TIME OF THE VALUE OF THE SAME, AND THAT THE AMOUNTS SET FORTH IN THIS SECTION 6.08 CONSTITUTE A GOOD FAITH REASONABLE ESTIMATE OF THE ACTUAL DAMAGES TO BE INCURRED BY THE SELLER OR THE PURCHASER AND THEREFORE THAT THE AMOUNTS SET FORTH IN THIS SECTION 6.08 ARE REASONABLE AS LIQUIDATED DAMAGES FOR THE BENEFIT OF THE SELLER OR THE PURCHASER IN SUCH EVENT.

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Initials of the Purchaser

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Initials of the Seller

If such breach, anticipatory breach or failure to close does not result from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing set forth in Section 7.02, then the Deposit Escrow Agent shall deliver to the Purchaser the full amount of the Deposit then held by the Deposit Escrow Agent by wire transfer in immediately available funds to the account specified by the Purchaser within three (3) days of the Closing Date or such earlier date by which the parties have mutually determined that the Closing shall not occur.

The Purchaser and the Seller hereby agree that, subject to the following sentence, the liquidated damages provided in this Agreement shall be the sole and exclusive remedy for any action relating to the breach, anticipatory breach or failure to consummate the transactions contemplated by this Agreement. Notwithstanding the foregoing, in the event that the first tranche of the Deposit in the amount of \$5,000,000 is not received by the Deposit Escrow Agent as provided in Section 2.01, all of the rights and remedies of the Seller shall be expressly preserved and shall remain unimpaired and unaffected.

Upon the return of the Deposit to the Purchaser in accordance with the Deposit Escrow Agreement, this Agreement shall terminate, except that the Seller's obligation to pay the liquidated damages in accordance with this Section 6.08 shall survive such termination.

Loan and REO Purchase Agreement (Primary)  
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ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 Conditions Precedent To Be Performed by the Seller.  
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(a) As a condition to the obligations of the Purchaser to purchase the Assets, the Seller shall deliver or cause to be delivered to the Purchaser on or before the Closing Date the following documents:

(i) an officer's certificate of the Seller, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Seller authorizing its sale of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Seller, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Seller on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Seller, dated as of the Closing Date, to the effect that: (a) the Seller is a federal savings bank, duly chartered, validly existing and in good standing under the federal laws of the United States; (b) this Agreement has been duly authorized, executed and delivered on the part of the Seller and, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement; (d) except as described on a schedule to the Agreement, there is no action, suit, proceeding or investigation pending or threatened against the Seller or relating to any Asset and known to such counsel, which, if determined adversely to the Seller, would prevent the consummation of the sale of the Assets to the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

(b) The obligations of the Purchaser to purchase the Assets shall be subject to and conditioned upon (i) the Seller having obtained any required approval of this Agreement from the Office of Thrift Supervision by the date provided in the Deposit Escrow Agreement and (ii) the

Loan and REO Purchase Agreement (Primary)  
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Seller having consummated the issuance and sale of the Common Stock pursuant to the Offering Circular on substantially the terms described therein on or prior to August 4, 1994 or such later date as the Seller and the Purchaser shall agree in writing.

Section 7.02 Conditions Precedent To Be Performed by the Purchaser.  
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As a condition to the obligations of the Seller to sell the Assets, the Purchaser shall deliver or cause to be delivered to the Seller on or before the Closing Date the following documents:

(i) an officer's certificate of the Purchaser, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Purchaser authorizing its purchase of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Purchaser, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Purchaser on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Purchaser, dated as of the Closing Date, to the effect that: (a) the Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of the State of California; (b) this Agreement has been duly authorized, executed and delivered on the part of the Purchaser and, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transaction contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement; (d) there is no action, suit, proceeding or investigation pending or threatened against the Purchaser and known to such counsel, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

Loan and REO Purchase Agreement (Primary)  
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ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01 Governing Law; Jurisdiction; Consent to Service of  
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Process.  
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This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, United States of America. Each of the parties hereto hereby irrevocably (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the federal courts of the United States of America for the Central District of California for the purpose of any action or proceeding relating to this Agreement; (ii) waives, to the fullest extent permitted by law, the defense of an inconvenient forum in any action or proceeding in any such court; (iii) agrees that a final judgment in any action or proceeding in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and (iv) consents to service of process upon it by mailing a copy thereof by certified mail addressed to it and its counsel as provided for notices hereunder.

Section 8.02 Hart-Scott-Rodino.  
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The Purchaser and the Seller agree to cooperate in connection with the preparation, signing and filing of any documents which counsel to the Purchaser or the Seller advises are necessary under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and each acknowledge and agree that the Closing Date shall be postponed, to the extent necessary, to comply with the requirements of such Act, if applicable to the transactions contemplated herein.

Section 8.03 Confidentiality.  
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Neither party to this Agreement (or employee or agent under its control) shall without the prior written consent of the other disclose to any third party any information regarding this Agreement or the transactions contemplated herein, except to the extent that such disclosure is (i) required to effect the transactions contemplated herein, (ii) made to an affiliate of the Purchaser or the Seller, or to the Seller's bondholders or the Federal Home Loan Bank pursuant to existing contractual relations, (iii) required by law or regulation, (iv) necessary to permit the audit of the accounts of a party hereto, (v) made to notify a third party of the ownership of the Asset by the Purchaser, without disclosing other terms of this Agreement, or (vi) made in order to initiate, defend or otherwise pursue legal proceedings between the parties regarding this Agreement or the transactions contemplated hereby, except that after the receipt by the Deposit Escrow Agent of the first tranche of the Deposit in the amount of \$5,000,000, the Purchaser may hold discussions with other Persons, including other bidders on the transactions, and the Seller shall be deemed to have released such other bidders from their confidentiality agreements with the Seller, all only to the extent necessary to enable the Purchaser to discuss with such Persons their potential participation in the Purchaser's acquisition of the Assets. The Purchaser shall preserve the confidentiality of any confidential information relating to the Mortgages. This Agreement shall not, and no memorandum or other document relating to this Agreement shall, be recorded without the prior written consent of the Seller.

Section 8.04 Broker's Fees.  
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In the event that any REO Property is subject to a listing agreement between the Seller and a broker, the Seller shall be solely responsible for the payment of any fee, commission or other compensation payable pursuant to any such listing agreements based upon a sale of such REO Property to the Purchaser.

Loan and REO Purchase Agreement (Primary)  
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Section 8.05 Notices.

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Any notices or other communications permitted or required hereunder shall be in writing and shall be personally delivered, sent by overnight delivery service, or mailed by certified mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile (tested by telephonic confirmation of receipt) to the following addresses, or such other address as may hereafter be furnished in writing in the same manner:

(i) in the case of the Seller,

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: Richard Greenwood  
Chairman and CEO  
and  
---  
James F. Barnett  
Senior Vice President,  
Credit Administration

Facsimile: (818) 549-3002

with a copy to:

Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard  
Glendale, California 91209  
Attention: Frederick I. Fox, Esq.

Facsimile: (818) 549-3773

(ii) in the case of the Purchaser,

Colony Capital, Inc.  
1999 Avenue of the Stars, Suite 1200  
Los Angeles, California 90067  
Attention: Lawrence A. Kestin

Facsimile: (310) 282-8808

with a copy to:

Colony Capital, Inc.  
201 Main Street, Suite 2420  
Fort Worth, Texas 76102  
Attention: Richard Ekleberry, Esq.

Facsimile: (817) 871-4010

Notices shall be effective on receipt.

Loan and REO Purchase Agreement (Primary)

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Section 8.06 Severability of Provisions.  
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If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 8.07 Schedules and Exhibits.  
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The schedules and exhibits to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

Section 8.08 Waivers and Amendments.  
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This Agreement may be amended, supplemented, canceled or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 8.09 No Third Party Rights.  
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This Agreement is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than the parties hereto.

Section 8.10 Successors and Assigns.  
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This Agreement shall be binding upon and inure to the benefit of the Purchaser and the Seller and their respective successors and assigns; provided, however, that (i) notwithstanding any assignment by the Purchaser or the Seller, such party shall remain liable for its obligations hereunder, (ii) only the Purchaser or its affiliates shall be entitled to exercise any remedies against the Seller granted to the Purchaser in Articles V and VI of this Agreement, and (iii) the Purchaser shall not assign its rights under this Agreement prior to the date on which the Deposit Escrow Agent receives the full amount of the Deposit (ten percent of the Purchase Price) without the prior written consent of the Seller, in its sole discretion. The Purchaser shall execute, acknowledge and deliver, and shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required by the Seller in connection with any assignment of the Purchaser's rights under this Agreement.

Section 8.11 Captions.  
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All section titles or captions contained in this Agreement or in the schedules and exhibits annexed hereto or referred to herein, and the table of contents to this Agreement, are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Loan and REO Purchase Agreement (Primary)  
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Section 8.12 Counterparts.  
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This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 8.13 Entire Agreement.  
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This Agreement (including the schedules and exhibits annexed hereto or referred to herein and the agreements executed and delivered pursuant to the terms hereof), the letter agreements between the parties dated the date of this Agreement that supplement this Agreement, the Confidentiality Agreement executed and delivered by the Purchaser in connection with the transactions contemplated by this Agreement, the Deposit Escrow Agreement and the Servicing Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereby and supersede all prior agreements, written or oral, with respect thereto.

Loan and REO Purchase Agreement (Primary)  
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Section 8.14 No Merger.  
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Unless otherwise expressly provided herein, the representations, warranties, covenants and agreements shall survive the Closing, the sale of Assets contemplated hereby and the delivery of any deeds or other documents in connection herewith.

IN WITNESS WHEREOF, the Seller and the Purchaser have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

FIDELITY FEDERAL BANK, F.S.B.

By: /s/ GODFREY B. EVANS  
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Name: Godfrey B. Evans  
Title: Executive Vice President

COLONY CAPITAL, INC.

By: /s/ LAWRENCE A. KESTIN  
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Name: Lawrence A. Kestin  
Title: Vice President

Loan and REO Purchase Agreement (Primary)  
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Schedule 1.01-A

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Allocated Price Schedule

Loan and REO Purchase Agreement (Primary)

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COLONY CAPITAL, INC.  
Fidelity Federal Bank Portfolio

ASSET	PROPERTY NAME	CITY	STATE	CCIBID	PRINBAL	% OF PRIN. BALANCE
425	Royal Sea Cliff Resort	Kona	HI	\$13,789,255	\$39,940,840	34.5%
322	The Inn at the Park	Southeast Anah	CA	\$13,006,322	\$13,848,528	93.9%
176	Holiday Inn	Altamonte	FL	\$7,389,039	\$10,623,005	69.6%
177	Holiday Inn	Long Beach	CA	\$4,936,661	\$7,235,410	68.2%
317	Holiday Inn	Fullerton	CA	\$4,556,654	\$10,191,830	44.7%
198	Days Inn	Mission Bay	CA	\$1,789,503	\$3,789,548	47.2%
167	Village Cabrillo	North Santa An	CA	\$10,546,060	\$13,583,166	77.6%
148	Cohasset Village	Canoga Park	CA	\$8,282,677	\$11,037,778	75.0%
144	Village Pointe	Granada Hills	CA	\$7,749,501	\$13,214,194	58.6%
158	Covino Gardens	Covina	CA	\$7,542,146	\$9,845,650	76.6%
178	Suncrest	Upland	CA	\$5,093,513	\$5,766,106	88.3%
179	Regency Manor	Southeast Anah	CA	\$4,890,563	\$8,414,232	58.1%
126	Pacific Isle	Covina	CA	\$4,422,280	\$5,458,563	81.0%
185	Rainbow Gardens	San Bernardino	CA	\$4,290,333	\$8,411,009	51.0%
117	Tarzana Village	Van Nuys	CA	\$4,165,309	\$4,847,230	85.9%
132	Royal Gardens	Buena Park	CA	\$4,160,025	\$5,504,429	75.6%
139	4505-4545 Los Feliz Ave.	Hollywood	CA	\$4,119,394	\$5,256,474	78.4%
311	Tripoli Palms	Whittier	CA	\$3,603,600	\$5,470,148	65.9%
168	Crestwood Apartments	Mission Viejo	CA	\$3,447,999	\$3,974,468	86.8%
236	1230 Oxford Drive	Colton	CA	\$3,301,696	\$6,558,689	50.3%
188	Orange Apartments	Paramount	CA	\$3,284,568	\$4,621,046	71.1%
183	Windcrest Apartments	Colton	CA	\$3,282,292	\$4,307,483	76.2%
204	1741 E. La Habra	Brea	CA	\$3,156,650	\$4,174,964	75.6%
320	Cherry Blossom Apts.	Portland	OR	\$3,121,483	\$3,583,885	87.1%
171	5015 Clinton Street	Hollywood	CA	\$3,024,872	\$4,308,895	70.2%
095	627 S. Velare Street	Buena Park	CA	\$2,404,501	\$3,061,388	78.5%
145	333 S. St. Andrews Pl.	Mid-Wilshire	CA	\$2,340,498	\$3,073,936	76.1%
193	Arrow Creek	Fontana/Rialto	CA	\$2,245,916	\$2,902,340	77.4%
130	Riverton I	Burbank	CA	\$2,177,199	\$2,822,915	77.1%
128	Le Parc	Central LA	CA	\$2,152,998	\$3,402,736	63.3%
146	Orange Apartments	Claremont	CA	\$2,048,743	\$2,365,896	86.6%
097	5227-5329 Londsey Avenue	Pico Rivera	CA	\$1,942,738	\$2,476,509	78.4%
182	1129 N. Mansfield Ave.	Hollywood	CA	\$1,867,240	\$3,239,738	57.6%
299	8051-8095 Sunrise East Wa	Citrus Heights	CA	\$1,799,474	\$2,135,900	84.2%
295	Harbor County Apts.	Washington Sta	CA	\$1,781,194	\$2,252,153	79.1%
152	11035 Otsego Street	Burbank	CA	\$1,549,091	\$2,185,872	70.9%
143	18630 Burbank Boulevard	Van Nuys	CA	\$1,538,814	\$2,322,675	66.3%
134	Villa Garden	Palmdale	CA	\$1,409,742	\$1,815,938	77.6%
186	Laurel Tree Apts.	Fontana/Rialto	CA	\$1,300,394	\$1,843,013	70.6%
058	7034 Vassar Avenue	Canoga Park	CA	\$1,287,227	\$1,927,694	66.8%
300	5101-5137 Andrea Blvd.	N. Highlands	CA	\$1,269,163	\$1,501,623	84.5%
166	4315 Don Tomaso Drive	Central LA	CA	\$1,140,307	\$1,462,203	78.0%

## FIDELITY FEDERAL BANK PORTFOLIO

Asset	Property Name	City	State	CCIBid	PrinBal	% of Prin. Balance
129	1325-1337 E. Wilshire Ave.	Placentia	CA	\$1,119,681	\$1,860,714	60.2%
151	Pacific Harbor	Westminster	CA	\$1,092,631	\$1,411,930	77.4%
159	15543 Nordhoff Street	Granada Hills	CA	\$1,092,260	\$1,451,675	75.2%
267	115 W. Mountain View Ave.	Hacienda Hts	CA	\$1,088,466	\$1,238,114	87.9%
301	10522 Artesia Blvd.	Paramount	CA	\$1,061,380	\$1,507,656	70.4%
208	141 Grand View St.	North Beaches	CA	\$1,055,358	\$1,372,861	76.9%
136	3719-3725 Gilman Rd.	San Gabriel	CA	\$1,050,554	\$1,370,901	76.6%
061	14614-14618 Chadron Ave.	Hawthorne	CA	\$1,038,486	\$1,208,020	86.0%
272	3722 Sawtelle Blvd.	West LA	CA	\$1,027,128	\$1,409,659	72.9%
154	8721 Owensmouth Ave.	Canoga Park	CA	\$1,020,216	\$1,619,617	63.0%
314	10220-10222 Camarillo St.	Burbank	CA	\$1,012,362	\$1,582,328	64.0%
058	260 E. Newburgh St.	Covina	CA	\$999,605	\$1,298,793	77.0%
155	14125 Coteau Drive	Whitier	CA	\$985,900	\$1,350,659	73.0%
273	15520 Parthenia Street	Granada Hills	CA	\$972,453	\$1,679,430	57.9%
165	Hoover Plaza	Los Angeles	CA	\$948,871	\$1,184,971	80.1%
261	10503-10517 Myrtle Street	Westlake	CA	\$944,159	\$1,136,935	83.0%
135	3615-3623 Gilman Rd.	San Gabriel	CA	\$942,637	\$1,222,696	77.1%
131	Riverton II	Burbank	CA	\$931,374	\$1,292,680	72.0%
440	14747 Roscoe Blvd	Granada Hills	CA	\$929,269	\$1,151,940	80.7%
321	365 Fifth Avenue	National City	CA	\$925,810	\$1,035,159	89.4%
222	68160 Calle Las Tiendas	San Bernardino	CA	\$923,036	\$1,093,466	84.4%
219	5241 Cartwright Avenue	Burbank	CA	\$918,381	\$1,129,503	81.3%
170	20358 Saticoy Street	Canoga Park	CA	\$903,571	\$1,578,495	57.2%
291	901 S. Ardmore Avenue	Central LA	CA	\$901,723	\$1,075,730	83.8%
064	8920 Orion Avenue	Granada Hills	CA	\$896,213	\$1,681,313	53.3%
287	500 S. Montebello Blvd.	Pico Rivera	CA	\$894,247	\$1,171,112	76.4%
308	200 S. Mollison Ave.	La Mesa	CA	\$890,896	\$1,014,435	87.8%
111	2 Breeze Avenue	Marina Del Rey	CA	\$874,544	\$1,115,094	78.4%
269	Crestridge	Hawthorne	CA	\$872,113	\$1,257,011	69.4%
258	8410-8414 Burnet Avenue	Granada Hills	CA	\$865,237	\$1,031,114	83.9%
209	118 N. Hillcrest Blvd.	Inglewood	CA	\$856,065	\$1,021,162	83.8%
113	333 Rockvale Avenue	Covina	CA	\$854,705	\$1,098,265	77.8%
002	19950 Roscoe Blvd.	Canoga Park	CA	\$846,728	\$1,016,687	83.3%
055	Monte Vista	Hemet	CA	\$845,661	\$1,034,425	81.8%
137	2628-2630 Maxson Road	San Gabriel	CA	\$836,680	\$1,148,593	72.8%
216	1400 Camden Avenue	Westwood	CA	\$833,384	\$1,013,236	82.2%
288	1421 N. Mansfield Avenue	Hollywood	CA	\$828,721	\$1,064,563	77.8%
214	7901 Reseda Blvd	Van Nuys	CA	\$828,029	\$1,670,308	49.6%
290	7755 Laurel Canyon Blvd.	San Fernando	CA	\$824,875	\$1,002,094	82.3%
266	952 Maltman Avenue	Silverlake	CA	\$813,915	\$1,000,075	81.4%
235	14153 Victory Blvd.	Van Nuys	CA	\$809,631	\$1,308,291	61.9%
377	18400 Napa Street	Granada Hills	CA	\$803,718	\$871,415	92.2%

COLONY CAPITAL, INC.  
Fidelity Federal Bank Portfolio

ASSET	PROPERTY NAME	CITY	STATE	CCIBID	PRINBAL	% OF PRIN. BALANCE
047	1000 Sycamore Street	North Anaheim	CA	\$791,308	\$1,322,910	59.8%
211	234-236, 238 Hoover St.	Hollywood	CA	\$776,794	\$1,030,195	75.4%
386	11332 Dale Street	SW Anaheim	CA	\$768,969	\$938,381	81.9%
404	7214 Fountain Avenue	W. Hollywood	CA	\$762,791	\$938,204	81.3%
213	4101 Rosecrans Ave.	Hawthorne	CA	\$762,042	\$1,100,888	69.2%
358	2199 W. 26th Place	Central LA	CA	\$760,416	\$979,757	77.6%
341	811-831 S. 47th Street	National City	CA	\$758,554	\$888,606	85.4%
001	Camelot Apartments	Canoga Park	CA	\$743,008	\$923,770	80.4%
348	1135/1139 Linden Avenue	N. Glendale	CA	\$697,786	\$913,199	76.4%
125	610, 617 Huntington Blvd.	Claremont	CA	\$688,091	\$852,369	80.7%
333	1710-1714 Grismer Ave.	Granada Hills	CA	\$685,886	\$875,662	78.3%
276	1830 N. Kingsley Dr.	Hollywood	CA	\$675,471	\$1,201,994	56.2%
277	11903-13 Vanowen Street	Burbank	CA	\$663,340	\$1,149,842	57.7%
391	1715 S. Sunflower Ave.	Covina	CA	\$661,661	\$804,786	82.2%
367	1920 Overland Avenue	Westwood	CA	\$656,811	\$806,607	81.4%
408	218 W. Vermont Avenue	N. Anaheim	CA	\$653,135	\$820,491	79.6%
349	966 N. Mariposa Avenue	Hollywood	CA	\$637,313	\$885,259	72.0%
400	6003 Brynhurst Ave.	Central LA	CA	\$634,210	\$805,894	78.7%
115	1448 Laurel Avenue	Claremont	CA	\$630,229	\$842,518	74.8%
065	Woodman Avenue	Canoga Park	CA	\$622,241	\$1,429,610	43.5%
353	7308 Haskell Avenue	Van Nuys	CA	\$619,385	\$849,867	72.9%
286	161 S. St. Andrews Pl.	Hollywood	CA	\$611,765	\$1,038,917	58.9%
347	7138-7146 Greeley Street	San Fernando	CA	\$593,872	\$996,579	59.6%
268	7774 Magnolia Avenue	Riverside	CA	\$586,718	\$611,553	95.9%
057	1165 N. Normandie Avenue	Hollywood	CA	\$584,930	\$1,197,989	48.8%
210	4245-4247 W. 182nd St.	Hawthorne	CA	\$581,138	\$1,247,931	46.6%
356	311 N. 7th Street	Burbank	CA	\$573,596	\$760,714	75.4%
270	6857 Baird Avenue	Van Nuys	CA	\$570,946	\$1,069,137	53.4%
063	7420 Woodman Avenue	Canoga Park	CA	\$568,497	\$1,079,756	52.7%
053	4036-4038 Maxson Rd.	San Gabriel	CA	\$557,200	\$755,769	73.7%
045	416 N. Garfield Ave.	Pasadena	CA	\$551,119	\$693,549	79.5%
282	822-908 St. Louis Ave.	Long Beach	CA	\$551,077	\$1,757,961	31.3%
332	2612-2700 El Segundo Blvd.	Hawthorne	CA	\$540,576	\$640,398	84.4%
292	2117-2119 W. 54th Street	Central LA	CA	\$535,113	\$1,191,240	44.9%
147	9215-9227 Wakefield Ave.	Granada Hills	CA	\$534,460	\$1,243,039	43.0%
393	15900 Vanowen Street	Van Nuys	CA	\$528,623	\$714,708	74.0%
350	540 N. Hayworth Ave.	West Hollywood	CA	\$526,491	\$784,374	67.1%
046	2662 Santa Anita Avenue	San Gabriel	CA	\$524,329	\$657,119	79.8%
052	10814-10820 Klingerman St.	San Gabriel	CA	\$523,952	\$655,754	79.9%
334	340 O'Keefe Street	S. San Mateo	CA	\$521,937	\$602,695	86.6%
431	Hyde Park II	Inglewood	CA	\$517,691	\$632,681	81.8%
382	6980 Victoria Avenue	San Joaquin Vall	CA	\$508,935	\$671,375	75.8%

## FIDELITY FEDERAL BANK PORTFOLIO

Asset	Property Name	City	State	CCIBid	PrinBal	% of Prin. Balance
388	4027 & 4033 Nicolet Ave.	Central LA	CA	\$498,878	\$666,913	74.8%
426	22876-22936 Republic	University City	CA	\$498,796	\$930,541	53.6%
385	4931 Romaine Street	Hollywood	CA	\$490,915	\$762,222	64.4%
263	686 S. St. Andrews Pl.	Mid-Wilshire	CA	\$481,832	\$704,191	68.4%
409	14235 Vanowen Street	Canoga Park	CA	\$477,781	\$627,802	76.1%
043	752-790 La Mesa	Claremont	CA	\$477,358	\$600,719	79.5%
337	8856 Willis Avenue	Granada Hills	CA	\$472,625	\$917,528	51.5%
352	1750-1754 Redondo Avenue	Long Beach	CA	\$471,276	\$827,558	56.9%
432	3928 W. 107th Street	Inglewood	CA	\$469,522	\$709,055	66.2%
394	25286-25236 Park Avenue	Colton	CA	\$468,842	\$806,947	58.1%
413	19237 Bryant Street	Granada Hills	CA	\$468,574	\$859,411	54.5%
054	1332 California Avenue	San Gabriel	CA	\$460,635	\$572,289	80.5%
344	1323-1327 N. Kingsley Dr.	Hollywood	CA	\$451,535	\$556,556	81.1%
390	500 S. 6th Street	Pico Rivera	CA	\$449,403	\$620,412	72.4%
384	443 N. Sycamore Ave.	Park La Brea	CA	\$448,973	\$546,730	82.1%
401	1744 10th Street	Santa Monica	CA	\$398,649	\$543,433	73.4%
361	3265 Cattaraugus Ave.	West LA	CA	\$396,677	\$492,743	80.5%
412	6405 Nightingale Street	Ventura County	CA	\$395,429	\$730,026	54.2%
109	13534 Ramona Blvd.	Covina	CA	\$390,975	\$488,154	80.1%
389	1732-1736 E. Sycamore Ave.	Hawthorne	CA	\$388,888	\$775,860	50.1%
396	221-229 S. Kenmore Ave.	Hollywood	CA	\$381,504	\$541,287	70.5%
364	1209 N. Formosa Ave.	West Hollywood	CA	\$379,113	\$461,851	82.1%
370	Eucalyptus Ave. Apts.	California State	CA	\$378,273	\$568,481	66.5%
374	5111 Harold Way	Hollywood	CA	\$375,276	\$667,589	56.3%
405	4534 August Street	Central LA	CA	\$374,664	\$430,059	87.1%
360	134 Kelso Street	Inglewood	CA	\$372,184	\$558,923	66.6%
346	6330 Orange Street	West Hollywood	CA	\$372,018	\$447,397	83.2%
351	1017 Sonora Avenue	N. Glendale	CA	\$361,872	\$452,242	80.0%
362	1954 Shenandoah Street	West LA	CA	\$361,564	\$445,669	81.1%
340	10346 Commerce Avenue	San Fernando	CA	\$357,064	\$625,974	57.0%
379	14620 S. Berendo Avenue	Hawthorne	CA	\$357,031	\$420,604	84.9%
395	215 E. Hyde Park Blvd.	Inglewood	CA	\$356,485	\$602,924	59.1%
330	4330 53rd Street	San Diego	CA	\$356,343	\$544,390	65.5%
365	852 & 860 W. 1st Street	Carson	CA	\$329,763	\$553,827	59.5%
363	12036 Saticoy Street	Burbank	CA	\$314,502	\$809,974	38.8%
381	Willowcrest Apartments	Burbank	CA	\$310,516	\$623,446	49.8%
372	2509 W. 182nd Street	Hawthorne	CA	\$306,995	\$472,187	65.0%
342	4023 W. 141st Street	Hawthorne	CA	\$303,273	\$499,909	60.7%
354	1639 Kingsley Avenue	Claremont	CA	\$301,861	\$572,427	52.7%
062	731 W. Crescent Dr.	Covina	CA	\$291,739	\$401,470	72.7%
380	4368 Ohio Street	San Diego	CA	\$288,614	\$436,175	66.2%
004	1420-1446 Laurel Avenue	Claremont	CA	\$287,733	\$361,699	79.6%



COLONY CAPITAL, INC.  
Fidelity Federal Bank Portfolio

ASSET	PROPERTY NAME	CITY	STATE	CCIBID	PRINBAL	% OF PRIN. BALANCE
343	3030-3036 Gamet Lane	Placentia/NE A	CA	\$282,849	\$423,673	66.8%
398	6130 West Blvd.	Central LA	CA	\$276,232	\$420,478	65.7%
336	2840 Mariquita Street	Long Beach	CA	\$268,460	\$530,769	50.6%
051	1614 E. Kingsley Avenue	Claremont	CA	\$263,906	\$330,612	79.8%
357	10325 Lehigh Avenue	N. Ontario	CA	\$262,154	\$590,522	44.4%
403	4128-30 Mississippi Street	San Diego	CA	\$259,622	\$436,926	59.4%
359	11058 Cantlay Street	San Fernando	CA	\$254,045	\$579,233	43.9%
399	6216 Cedros Avenue	Van Nuys	CA	\$249,951	\$603,857	41.4%
003	2012 S. Mountain Avenue	San Gabriel	CA	\$228,008	\$286,655	79.5%
376	12036 Grevillea Avenue	Hawthorne	CA	\$216,646	\$448,391	48.3%
378	717 S. Westlake Avenue	Los Angeles	CA	\$211,368	\$282,090	74.9%
110	1130 & 1132 S. Kern	Pico Rivera	CA	\$192,544	\$302,380	63.7%
044	4037-41 La Rica Avenue	Covina	CA	\$184,469	\$231,044	79.8%
281	2284 Long Beach Blvd.	Long Beach	CA	\$176,555	\$376,996	46.8%
005	13936 Lubican Street	Covina	CA	\$154,263	\$192,810	80.0%
049	1363 & 1365 1-4 El Sere	Pasadena	CA	\$141,803	\$177,568	79.9%
042	3940 Baldwin Park Blvd.	Covina	CA	\$135,376	\$169,461	79.9%
233	1777-1791 Conejo Drive	San Bernardino	CA	\$116,087	\$232,292	50.0%
096	140, 144 N. Pleasant Avenue	N. Ontario	CA	\$94,663	\$118,412	79.9%
221	1207-1211-1215 W. Huff	San Bernardino	CA	\$32,545	\$116,249	28.0%
302	Golden Village RV Park	California State	CA	\$5,664,434	\$7,144,764	79.3%
298	Rock Shadows	Phoenix	AZ	\$2,642,971	\$2,976,999	88.8%
202	Garden Grove Medical	Garden Grove	CA	\$3,536,179	\$6,377,046	55.5%
296	Village Faire Shops	Laguna Beach	CA	\$2,483,392	\$3,082,171	80.6%
197	43214 Blackdeer Loop	California State	CA	\$999,160	\$1,775,493	56.3%
315	17525 Alder Street	California State	CA	\$768,009	\$998,820	76.9%
201	830 N. Wilcox Ave.	Los Angeles	CA	\$653,309	\$1,820,088	35.9%
415	Knts. Columbus Plaza	Santa Barbara	CA	\$480,883	\$675,803	71.2%
414	2438 Wyandotte St.	San Jose	CA	\$445,064	\$751,085	60.6%
303	The Tustin	N. Santa Ana	CA	\$1,439,739	\$1,731,449	83.2%
313	Ventura Tampa Plaza	Los Angeles	CA	\$1,337,302	\$2,733,018	48.9%
310	One West Duarte Rd.	San Gabriel	CA	\$919,986	\$1,531,604	60.1%
309	331-371 Railroad Canyon	SW Riverside C	CA	\$910,992	\$1,725,941	52.8%
416	4101 Bellflower	Los Angeles	CA	\$794,712	\$854,689	93.0%
438	Ridgeview Center	Clallam County	WA	\$726,127	\$746,168	97.3%
203	TOTAL			\$277,000,941	\$413,920,423	66.9%

Schedule 1.01-B

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Mortgage Loan Schedule

Loan and REO Purchase Agreement (Primary)

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36	RC	2014174	SSNIJJAR	2628 2630 MAXSON RD	EL MONTE	CA	91732	0	6.25%	8,094	1,240,000
37	RC	2014693	870 M PASCALID	14235 VANOWEN ST	VAN NUYS	CA	91405				
38	RC	2014884	JSYANG	4505 LOS FELIZ BLVD	LOS ANGELES	CA	90027	0	5.96%	9,030	1,395,000
39	RC	2014891	JSYANG	4545 LOS FELIZ BLVD	LOS ANGELES	CA	90027	0	5.96%	9,014	1,395,000
40	RC	2014914	JSYANG	4519 LOS FELIZ BLVD	LOS ANGELES	CA	90027	0	5.96%	9,030	1,395,000
41	RC	2014921	JSYANG	4533 LOS FELIZ BLVD	LOS ANGELES	CA	90027	0	5.96%	9,013	1,395,000
42	RC	2015207	JADW	18630 BURBANK BLVD	TARZANA	CA	91356	0	5.96%	15,683	2,360,000
43	RC	2015771	SSJOGANI	17171 ROSCOE BLVD	NORTHRIDGE	CA	91325	167,582	6.00%	75,100	6,400,000
44	RC	2015788	SSJOGANI	17171 ROSCOE BLVD	NORTHRIDGE	CA	91325	0	10.00%	17,435	1,714,350
45	RC	2016538	JSYANG	333S ST ANDREWS PL	LOS ANGELES	CA	90020	0	5.96%	20,551	3,262,500
46	RC	2016781	621	12665 GARDEN GROVE B	GARDEN GROVE	CA	92643				
47	RC	2017029	972 SWARANJI	1800 1900 W ORANGE G	POMONA	CA	91678				
48	RC	2017074	NOBLE/DE	200S MOLLISON AVE	EL CAJON	CA	92020	0	5.96%	7,087	1,061,000

Cat.	Loan #	Reo	Name	Address	City	ST	Zip	Maturity Date	Fixed	%FFB
1	RC	0023756	KIMES	2438 WYANDOTTE ST	MOUNTAIN VALLE	CA	94043	06/01/2014	ARM	90%
2	RC	0023831	DE LA VI	9256 DE LA VINA	SANTA BARBARA	CA	03103	06/01/95	ARM	90%
3	RC	0024193	CARLSBER	364 FIFTH AVE	CHULA VISTA	CA	91910	08/01/2000	ARM	90%
4	RC	0024407	VIKING	TRIANGLE PK SHO	LONG BEACH	CA	90805	09/01/95	ARM	90%
5	RC	0024780	H ANAHEIM	1855S HARBOR DR	ANAHEIM	CA	92802	12/01/94	ARM	90%
6	RC	2001130	480	60 LINDEN AVE	LONGBEACH	CA	90802			100%
7	RC	2003624	HCASSOC	4425 HARBOR COUNTR	PIERCE COUNTY	CA	98335	06/01/2014	ARM	100%
8	RC	2004207	385	230 WEST HIGHWAY 436	ALTAMONTE SPRI	CA	32714			100%
9	RC	2004511	503	2575 CLAIREMONT DR	SAN DIEGO	CA	92117			100%
10	RC	2006326	S KAFETZOP	1100 1198 S COAST HW	LAGUNA BEACH	CA	92651	07/01/2014	ARM	100%
11	RC	2006333	RSASSOCLTD	75 6040 ALII DR #108	KAILUA KONA	HI	96740	03/01/2014	Fixed	100%
12	RC	2006340	RSASSOCLTD	75 6040 ALII DR #109	KAILUA-KONA	HI	96740	03/01/2014	Fixed	100%
13	RC	2007664	RSPARTNERS	600S IDAHO RD	APACHE JUNCTIO	AZ	85219	01/01/2000	ARM	100%
14	RC	2009202	SCFTHLSINV	8051 8095 SUNRISE E	CITRUS HEIGHTS	CA	95610	12/01/2000	ARM	100%
15	RC	2009219		5105 5137 ANDREA BLVD	NORTH HIGHLAN	CA	95660	12/01/2000	ARM	100%
16	RC	2009267	E LEFF	75 6040 ALII DR	KAILUA-KONA	HI	96740	04/01/93	Fixed	100%
17	RC	2009592	SSNIJJAR	1448 LAUREL AVE	POMONA	CA	91768	11/01/2015	ARM	100%
18	RC	2010424	KWDUKE	10522 ARTESIA BLVD	BELLFLOWER	CA	90706	04/01/2016	ARM	100%
19	RC	2011069	GVLTD	37250W FLORIDA AVE	HEMET	CA	92545	08/01/2001	ARM	100%
20	RC	2011250	MERVYNS	18324 CLARK ST	TARZANA	CA	91356	06/01/96	ARM	100%
21	RC	2011755	THE TUST	2106 -2150 N TUSTIN	SANTA ANA	CA	92701	11/01/2001	ARM	100%
22	RC	2011885	702	16594 ARROW BOULEVA	FONTANA	CA	92335			100%
23	RC	2012444	SWARANJI	610 670 HUNTINGTON	POMONA	CA	91766	01/01/2017	ARM	100%
24	RC	2012475	DOGARKARIA	2889 2595 WINDSOR DR	SAN BERNARDIN	CA	92484	01/01/2017	ARM	100%
25	RC	2013515	CGAGEN	1829 1841 WORKMAN A	WEST COVINA	CA	91791	04/01/2017	ARM	100%
26	RC	2013584	JCCHEN	218W VERMONT AVE	ANAHEIM	CA	92805	04/01/2017	ARM	100%
27	RC	2013645	SJJOGANI	211S LA FAYETTE PK P	LOS ANGELES	CA	90053	04/01/2017	ARM	100%
28	RC	2013683	KFPTR	1325 1337 E WILSHIRE	FULLERTON	CA	92631	04/01/2017	ARM	100%
29	RC	2013768	SJJOGANI	6705 6721 RIVERTON A	NORTH HOLLYWOOD	CA	91606	04/01/2017	ARM	100%
30	RC	2013775	SJJOGANI	6730 RIVERTON AVE	NORTH HOLLYWOOD	CA	91606	05/01/2017	ARM	100%
31	RC	2013799	SJJOGANI	9362 HOLDER ST	CYPRESS	CA	90630	04/01/2017	ARM	100%
32	RC	2013997	575	830 NORTH WILCOX AVE	MONTEBELLO	CA	90640			100%
33	RC	2014044	SVBANKER	27301 WHITES CYN RD	CANYON COUNTR	CA	91351	05/01/2017	ARM	100%
34	RC	2014150	SSNIJJAR	3615 3623 GILMAN RD	EL MONTE	CA	91732	06/01/2017	ARM	100%
35	RC	2014167	SSNIJJAR	3719 3725 GILMAN RD	EL MONTE	CA	91732	06/01/2017	ARM	100%
36	RC	2014174	SSNIJJAR	2628 2630 MAXSON RD	EL MONTE	CA	91732	06/01/2017	ARM	100%
37	RC	2014693	870 M PASCALID	14235 VANOWEN ST	VAN NUYS	CA	91405			100%
38	RC	2014884	JSYANG	4505 LOS FELIZ BLVD	LOS ANGELES	CA	90027	09/01/2017	ARM	100%
39	RC	2014891	JSYANG	4545 LOS FELIZ BLVD	LOS ANGELES	CA	90027	09/01/2017	ARM	100%
40	RC	2014914	JSYANG	4519 LOS FELIZ BLVD	LOS ANGELES	CA	90027	09/01/2017	ARM	100%
41	RC	2014921	JSYANG	4533 LOS FELIZ BLVD	LOS ANGELES	CA	90027	09/01/2017	ARM	100%
42	RC	2015207	JADW	18630 BURBANK BLVD	TARZANA	CA	91356	09/01/2017	ARM	100%
43	RC	2015771	SSJOGANI	17171 ROSCOE BLVD	NORTHRIDGE	CA	91325	10/01/97	ARM	100%
44	RC	2015788	SSJOGANI	17171 ROSCOE BLVD	NORTHRIDGE	CA	91325	12/01/94	ARM	100%
45	RC	2016538	JSYANG	333S ST ANDREWS PL	LOS ANGELES	CA	90020	01/01/2018	ARM	100%
46	RC	2016781	621	12665 GARDEN GROVE B	GARDEN GROVE	CA	92643			100%
47	RC	2017029	972 SWARANJI	1800 1900 W ORANGE G	POMONA	CA	91678			100%
48	RC	2017074	NOBLE/DE	200S MOLLISON AVE	EL CAJON	CA	92020	03/01/2018	ARM	100%



83	RC	2024836	LFJACOBS	20358 SATICOY ST	CANOGA PARK	CA	91306						
84	RC	2025303	933 BSETERPRI	5015 CLINTON ST	LOS ANGELES	CA	90004	0	6.75%	10,858	1,625,000		
85	RC	2061494	333	75-6040 ALLI DR #407	KAILUA KONA	HI	96740						
86	RC	2061517	334	75-6040 ALII DR #519	KAILUA KONA	HI	96740						
87	RC	2061531	335	75-6040 ALLI DR #518	KAILUA KONA	HI	96740						
88	RC	2061548	336	75-6040 ALII DR #111	KAILUA KONA	HI	96740						
89	RC	2071675	259	75-6040 ALII DR #207	KAILUA KONA	HI	96740						
90	RC	2154648	873 IWINV	21115 SATICOY ST	CANOGA PARK	CA	91304						
91	RC	2154655	1RBLVD	19950 ROSCOE BLVD	CANOGA PARK	CA	91306	13,543	5.96%	9,369	1,125,000		
92	RC	2160384	TEJOHNSON	4330 53RD ST	SAN DIEGO	CA	92115	0	6.28%	4,072	580,000		
93	RC	2204437	GRANDVIE	141 GRAND VIEW ST	ENCINITAS	CA	92024	0	5.96%	9,304	1,440,000		
94	RC	2207245	RDSARACENO	2612 2700 EL SEGUNDO	GARDENA	CA	90249	0	6.06%	4,408	660,000		
95	RC	2208507	852	1710 1714 GRISMER AV	BURBANK	CA	91504						
96	RC	2213592	6 CALIF/CO	340 O'KEEFE ST	EAST PALO ALTO	CA	94303						

		Cat.	Loan #	REO Name	Address	City	ST	Zip	Maturity Date	ARM/ Fixed	%FFB		
49	RC		2017180	JDPRICE	331 371 RAILROAD CA	LAKE ELSINORE	CA	92330	05/01/2003	ARM	100%		
50	RC		2017203	KAJ-RKC	9215 9227 WAKEFIELD	PANORAMA CITY	CA	91402	05/01/2018	ARM	100%		
51	RC		2017319	C CRAIL	20243 20259 COHASSET	CANOGA PARK	CA	91306	04/01/2018	ARM	100%		
52	RC		2017326	C CRAIL	20146 20258 COHASSET	CANOGA PARK	CA	91306	04/01/2018	ARM	100%		
53	RC		2017333	C CRAIL	20147 20203 35 COHASS	CANOGA PARK	CA	91306	04/01/2018	ARM	100%		
54	RC		2017654	CCYINGLEE	ONE W DUARTE RD	ARCADIA	CA	91007	07/01/2003	ARM	100%		
55	RC		2017708	957 PHACALIF	8421 8441 15TH ST	WESTMINSTER	CA	92683			100%		
56	RC		2017975	SILTD	11035 OTSEGO ST	NORTH HOLLYWOOD	CA	91601	08/01/2018	ARM	100%		
57	RC		2018152	L KAPLAN	14314 14320 26 MULBER	WHITTIER	CA	90603	07/01/2018	ARM	100%		
58	RC		2018169	L KAPLAN	14340 14346 52 MULBER	WHITTIER	CA	90603	07/01/2018	ARM	100%		
59	RC		2018633	CFNIELSEN	8721 OWENSMOUTH AVE.	CHATSWORTH	CA	91304	11/01/2018	ARM	100%		
60	RC		2018671	479	43214 BLACKDEER LOOP	RANCHO CALIFO	CA	92590			100%		
61	RC		2018695		19307 19327 VENTURA B	TARZANA	CA	91356	12/01/2003	ARM	100%		
62	RC		2018848	618	1700 EAST DATE STREET	SAN BERNARDIN	CA	92404			100%		
63	RC		2019520	SSNIJJAR	14125 COTEAU DR	WHITTIER	CA	90604	03/01/2019	ARM	100%		
64	RC		2019933	A YAU	15543 NORHOFF ST	SEPULVEDA	CA	91343	06/01/2019	ARM	100%		
65	RC		2019971	PCKRIKORIA	10220 10222 CAMARILLO	NORTH HOLLYWOOD	CA	91602	03/01/2019	ARM	100%		
66	RC		2019995	RWSTEVENS	17525 ALDER ST	HESPERIA	CA	92345	11/01/2004	ARM	100%		
67	RC		2021011	497	12622 THRU 12732 BUAR	GARDEN GROVE	CA	92640			100%		
68	RC		2021134	RPLTD	222W HOUSTON AVE	FULLERTON	CA	92632	07/01/2004	ARM	100%		
69	RC		2021455	DSKIM	9884 ALDER AVE	BLOOMINGTON	CA	92316	10/01/2019	ARM	100%		
70	RC		2021509	866 KHBALTER	6405 NIGHTINGALE ST	VENTURA	CA	93003			100%		
71	RC		2021699	654 OOHOMEO	NORTH OF AVE P	PALMDALE	CA	93550	100%				
72	RC		2022335	485	1481 WEST 7TH STREET	UPLAND	CA	91786			100%		
73	RC		2022649	1HABBOOIAT	11844 HESBY ST	NORTH HOLLYWD	CA	91601	03/01/2021	ARM	100%		
74	RC		2022731	JKBAO	1325S HOOVER ST	LOS ANGELES	CA	90006	03/01/2020	ARM	100%		
75	RC		2022946	WEWALKER	4315 DON TOMASODR	LOS ANGELES	CA	90006	03/01/2020	ARM	100%		
76	RC		2022960	VCPALMSLTD	1345 CABRILLO PK DR	SANTA ANA	CA	92701	04/01/2020	ARM	100%		
77	RC		2022991	673	15704 15714-24 ORANGE	PARAMOUNT	CA	90723			100%		
78	RC		2023000	MMHARMATZ	19237 BRYANT ST	NORTHRIDGE	CA	91324	03/01/2020	ARM	100%		
79	RC		2023031	CRLANEPTRS	21011 CANADA RD	EL TORO	CA	92630	07/01/2000	ARM	100%		
80	RC		2023475	789	1605 E. FRONT ST	PORT ANGELES	WA	98362			100%		
81	RC		2023482	TRVTURE	10568SECHERRY BLOSS	PORTLAND	OR	97216	08/01/95	ARM	100%		
82	RC		2023949	561	933 FAIRWAY DRIVE	COLTON	CA	92324			100%		
83	RC		2024836	LFJACOBS	20358 SATICOY ST	CANOGA PARK	CA	91306	08/01/2006	ARM	100%		
84	RC		2025303	933 BSETERPRI	5015 CLINTON ST	LOS ANGELES	CA	90004			100%		
85	RC		2061494	333	75-6040 ALLI DR #407	KAILUA KONA	HI	96740			100%		
86	RC		2061517	334	75-6040 ALII DR #519	KAILUA KONA	HI	96740			100%		
87	RC		2061531	335	75-6040 ALLI DR #518	KAILUA KONA	HI	96740			100%		
88	RC		2061548	336	75-6040 ALII DR #111	KAILUA KONA	HI	96740			100%		
89	RC		2071675	259	75-6040 ALII DR #207	KAILUA KONA	HI	96740			100%		
90	RC		2154648	873 IWINV	21115 SATICOY ST	CANOGA PARK	CA	91304			100%		
91	RC		2154655	1RBLVD	19950 ROSCOE BLVD	CANOGA PARK	CA	91306	11/01/2015	ARM	100%		
92	RC		2160384	TEJOHNSON	4330 53RD ST	SAN DIEGO	CA	92115	01/01/2016	ARM	100%		
93	RC		2204437	GRANDVIE	141 GRAND VIEW ST	ENCINITAS	CA	92024	04/01/2017	ARM	100%		
94	RC		2207245	RDSARACENO	2612 2700 EL SEGUNDO	GARDENA	CA	90249	12/01/2016	ARM	100%		
95	RC		2208507	852	1710 1714 GRISMER AV	BURBANK	CA	91504			100%		
96	RC		2213592	6 CALIF/CO	340 O'KEEFE ST	EAST PALO ALTO	CA	94303			100%		

Recovery Corp

Cat.	Loan #	REO	Name	Address	City	ST	Zip
97	RC	2221869	W MASON	118N HILLCREST BLVD	INGLEWOOD	CA	90301
98	RC	2242507	GROUP I	2012S MOUNTAIN AVE	DUARTE	CA	91010
99	RC	2260994	C VANDERVE	2840 MARIQUITA ST	LONG BEACH	CA	90803
100	RC	2262853	AADESAI	8856 WILLIS AVE	PANORAMA CITY	CA	91402
101	RC	2263016	GROUP I	1420 1446 LAUREL AVE	POMONA	CA	91768
102	RC	2267278	EJMATTHES	4245 4247 W 182ND ST	TORRANCE	CA	90504
103	RC	2273945	843 EGHAGGAR	10346 COMMERCE AVE	TUJUNGA	CA	91042
104	RC	2274924	GROUP I	13938 LUBICAN ST	BALDWIN PARK	CA	91706
105	RC	2279950	RLHOWARD	811 831 S 47TH ST	SAN DIEGO	CA	92113
106	RC	2285306	847 GWKOOBA	4023W 141ST ST 1 11	HAWTHORNE	CA	90250
107	RC	2285931	C PROPERTI	3030 3038 GARNET LN	FULLERTON	CA	92631
108	RC	2296078	SSNIJJAR	1127 1133 WANAMAHER	COVINA	CA	91724
109	RC	2296085	SSNIJJAR	1141 1147 WANAMAHER	COVINA	CA	91724
110	RC	2296092	SSNIJJAR	1155 1161 WANAMAHER	COVINA	CA	91724
111	RC	2296108	SSNIJJAR	1171 1175 WANAMAHER	COVINA	CA	91724
112	RC	2296115	SSNIJJAR	1201 1205 WANAMAHER	COVINA	CA	91724
113	RC	2296122	SSNIJJAR	1211 1217 WANAMAHER	COVINA	CA	91724
114	RC	2296139	SSNIJJAR	1225 1231 WANAMAHER	COVINA	CA	91724
115	RC	2296146	SSNIJJAR	1241 1245 WANAMAHER	COVINA	CA	91724
116	RC	2296153	SSNIJJAR	1255 1261 WANAMAHER	COVINA	CA	91724
117	RC	2296160	SSNIJJAR	1136 1142 WANAMAHER	COVINA	CA	91724
118	RC	2296177	SSNIJJAR	1148 1154 WANAMAHER	COVINA	CA	91724
119	RC	2297002	SSNIJJAR	1160 1168 WANAMAHER	COVINA	CA	91724
120	RC	2297019	SSNIJJAR	1174 1182 WANAMAHER	COVINA	CA	91724
121	RC	2297026	SSNIJJAR	1202 1206 WANAMAHER	COVINA	CA	91724
122	RC	2297033	SSNIJJAR	1214 1220 WANAMAHER	COVINA	CA	91724
123	RC	2297040	SSNIJJAR	1226 1234 WANAMAHER	COVINA	CA	91724
124	RC	2297057	SSNIJJAR	1242 1248 WANAMAHER	COVINA	CA	91724
125	RC	2297064	SSNIJJAR	1254 1260 WANAMAHER	COVINA	CA	91724
126	RC	2297071	SSNIJJAR	1103 1109 BADILLO ST	COVINA	CA	91724
127	RC	2297088	SSNIJJAR	1137 1141 BADILLO ST	COVINA	CA	91724
128	RC	2297095	SSNIJJAR	1149 1155 BADILLO ST	COVINA	CA	91724
129	RC	2297101	SSNIJJAR	1163 1167 BADILLO ST	COVINA	CA	91724
130	RC	2297118	SSNIJJAR	1175 1181 BADILLO ST	COVINA	CA	91724
131	RC	2297125	SSNIJJAR	1203 1209 BADILLO ST	COVINA	CA	91724
132	RC	2297132	SSNIJJAR	1215 1221 BADILLO ST	COVINA	CA	91724
133	RC	2297149	SSNIJJAR	1229 1235 BADILLO ST	COVINA	CA	91724
134	RC	2297156	SSNIJJAR	1243 1247 BADILLO ST	COVINA	CA	91724
135	RC	2297163	SSNIJJAR	1255 1261 BADILLO ST	COVINA	CA	91724
136	RC	2297170	SSNIJJAR	1269 1275 BADILLO ST	COVINA	CA	91724
137	RC	2297187	SSNIJJAR	149 167 NEARGLEN AV	COVINA	CA	91724
138	RC	2297194	SSNIJJAR	133 139 NEARGLEN AV	COVINA	CA	91724
139	RC	2297200	SSNIJJAR	1117 BADILLO ST	COVINA	CA	91724
140	RC	2297217	SSNIJJAR	125 NEARGLEN AVE	COVINA	CA	91724
141	RC	2297224	SSNIJJAR	163 167 GLENDORA AV	COVINA	CA	91724
142	RC	2297231	SSNIJJAR	129 133 GLENDORA	COVINA	CA	91724
143	RC	2297804	GROUP I	3940 BALDWIN PK BLVD	BALDWIN PARK	CA	91706
144	RC	2313409	GROUP I	752 790 LA MESA	POMONA	CA	91766

Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	Escrow Adv	
97	26	RS	1,021,162	06/01/94	1	0	0
98	10	RS	286,655	06/01/94	1	0	7,871
99	8	RS	530,769	11/01/92	1	0	30,492
100	24	RS	917,528	02/01/94	1	0	0
101	14	RS	361,699	06/01/94	1	0	8,431
102	28	RS	1,247,931	06/01/94	1	0	0
103	12	RS	625,974		1		
104	6	RS	192,810	06/01/94	1	0	5,530
105	23	RS	888,606	06/01/92	1	0	17,798
106	11	RS	499,909		1		
107	8	RS	423,673	12/01/91	1	0	23,622
108	8	RS	279,420	06/01/94	1	0	7,683
109	8	RS	279,420	06/01/94	1	0	7,676
110	8	RS	279,420	06/01/94	1	0	7,677
111	8	RS	279,420	06/01/94	1	0	7,677
112	8	RS	279,420	06/01/94	1	0	7,677
113	8	RS	279,420	06/01/94	1	0	7,677
114	8	RS	279,420	06/01/94	1	0	7,679
115	8	RS	279,420	06/01/94	1	0	7,679
116	8	RS	279,420	06/01/94	1	0	7,677
117	8	RS	279,420	06/01/94	1	0	7,688
118	8	RS	279,420	06/01/94	1	0	7,679
119	8	RS	279,474	06/01/94	1	0	7,679
120	8	RS	279,420	06/01/94	1	0	7,679
121	8	RS	279,420	06/01/94	1	0	7,679
122	8	RS	279,420	06/01/94	1	0	7,679
123	8	RS	279,339	06/01/94	1	0	7,681
124	8	RS	279,420	06/01/94	1	0	7,681
125	8	RS	279,420	06/01/94	1	0	7,962
126	8	RS	279,420	06/01/94	1	0	7,714
127	8	RS	279,420	06/01/94	1	0	7,688

128	8	RS	279,420	06/01/94	1	0	7,679
129	8	RS	279,420	06/01/94	1	0	7,679
130	8	RS	279,420	06/01/94	1	0	7,711
131	8	RS	279,420	06/01/94	1	0	7,711
132	8	RS	279,420	06/01/94	1	0	7,711
133	8	RS	279,420	06/01/94	1	0	7,679
134	8	RS	279,420	06/01/94	1	0	7,679
135	8	RS	279,420	06/01/94	1	0	7,679
136	8	RS	279,420	06/01/94	1	0	7,688
137	19	RS	612,007	06/01/94	1	0	16,025
138	10	RS	322,109	06/01/94	1	0	8,930
139	6	RS	192,877	06/01/94	1	0	5,790
140	5	RS	162,995	06/01/94	1	0	4,899
141	10	RS	322,109	06/01/94	1	0	8,937
142	4	RS	130,396	06/01/94	1	0	3,807
143	6	RS	169,461	06/01/94	1	0	5,942
144	20	RS	600,719	06/01/94	1	0	24,064

	Suspense	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/ Fixed	%FFB
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97	0	5.96%	7,067	1,084,000	08/01/2017	ARM	100%
98	0	5.96%	1,424	292,000	11/01/2017	ARM	100%
99	0	6.21%	4,545	525,000	01/01/2018	ARM	100%
100	0	5.96%	6,092	900,000	01/01/2018	ARM	100%
101	0	5.96%	1,796	367,500	11/01/2017	ARM	100%
102	0	5.96%	8,266	1,320,000	03/01/2018	ARM	100%
103							100%
104	0	6.06%	974	195,000	03/01/2018	ARM	100%
105	127,156	5.96%	7,081	896,250	04/01/2018	ARM	100%
106							100%
107	118,902	6.06%	3,802	415,200	07/01/2018	ARM	100%
108	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
109	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
110	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
111	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
112	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
113	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
114	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
115	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
116	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
117	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
118	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
119	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
120	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
121	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
122	0	6.06%	1,952	288,000	06/01/2018	ARM	100%
123	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
124	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
125	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
126	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
127	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
128	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
129	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
130	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
131	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
132	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
133	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
134	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
135	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
136	0	6.06%	1,953	288,000	06/01/2018	ARM	100%
137	0	6.06%	4,278	630,800	06/01/2018	ARM	100%
138	0	6.06%	2,251	332,000	06/01/2018	ARM	100%
139	0	6.06%	1,348	198,800	06/01/2018	ARM	100%
140	0	6.06%	1,139	168,000	06/01/2018	ARM	100%
141	0	6.06%	2,251	332,000	06/01/2018	ARM	100%
142	0	6.06%	911	134,400	06/01/2018	ARM	100%
143	0	6.06%	856	171,000	07/01/2018	ARM	100%
144	0	5.96%	2,984	616,700	09/01/2018	ARM	100%



Recovery Corp

Cat.	Loan #	Reo	Name	Address	City	ST	Zip
145	RC	2313577	GROUP I	4037 41 LA RICA AVE	BALDWIN PARK	CA	91706
146	RC	2313720	AMARGUELLO	1323 1327 N KINGSLEY	LOS ANGELES	CA	90027
147	RC	2313973	GROUP I	416N GARFIELD AVE	PASADENA	CA	91101
148	RC	2317999	SSNIJJAR	2662 SANTA ANITA AVE	EL MONTE	CA	91733
149	RC	2318787	T WEISSER	1000E SYCAMORE ST A	ANAHEIM	CA	92805
150	RC	2319339	AMARGUELLO	6330 ORANGE ST	LOS ANGELES	CA	90048
151	RC	2319346	M ITO	234 3638 HOOVER ST	LOS ANGELES	CA	90004
152	RC	2324461	G PARTNERS	7138 7146 GREELEY ST	TUJUNGA	CA	91042
153	RC	2324683	GROUP I	1363 AND 1365 14 EL	PASADENA	CA	91105
154	RC	2328920	IMLLUIS	1135 1139 LINDEN AVE	GLENDALE	CA	91201
156	RC	2333564	RATSTE	966N MARIPOSA AVE	LOS ANGELES	CA	90029
157	RC	2334369	GROUP I	1614E KINGSLEY AVE	POMONA	CA	91787
158	RC	2338798	MDCO	540N HAYWORTH AVE	LOS ANGELES	CA	90048
159	RC	2341208	882 ROSECRAN	4101 ROSECRANS AVE	LAWNDALE	CA	90260
160	RC	2342346	GROUP I	10814 10820 KLINGERM	SOUTH EL MONT	CA	91733
161	RC	2342360	943 SSNIJJAR	4038 4038 MAXSON RD	EL MONTE	CA	91732
162	RC	2343141	898 TTCAO	1017 SONORA AVE	GLENDALE	CA	91201
163	RC	2343691	GROUP I	1332 CALIFORNIA AVE	MONROVIA	CA	91016
164	RC	2345277	AETRUSTEE	800 SUNJOY DR	HEMET	CA	92543
165	RC	2345994		1750 1754 REDONDO A	LONG BEACH	CA	90804
166	RC	2347242	JCNG	7308 HASKELL AVE	VAN NUYS	CA	91406
167	RC	2349422		7034 VASSAR AVE	CANOGA PARK	CA	91303
168	RC	2350149	850 L GUAPO	1639E KINGSLEY AVE	POMONA	CA	91767
169	RC	2350996	980 RA22LTD	7901 RESEDA BLVD	RESEDA	CA	91335
170	RC	2371290	M PATEL	1400 CAMDEN AVE	LOS ANGELES	CA	90025
171	RC	2375667	534	22878 & 22936 REPUBLIC	MORENO VALLEY	CA	92360
172	RC	2377069	L PROPERTI	311N 7TH ST	BURBANK	CA	91501
173	RC	2377380	ROMACIBORS	10325 LEHIGH AVE	MONTCLAIR	CA	91763
174	RC	2378666	KWDRINNON	5241 CARTWRIGHT AVE	NORTH HOLLYWOOD	CA	91601
175	RC	2383796	AMARGUELLO	2199W 26TH PL	LOS ANGELES	CA	90018
176	RC	2384791	684	531 WEST HYDE PARK B	INGLEWOOD	CA	90302
177	RC	2386728	D CRIMMINS	1207 1211 1215 HUFF	SAN BERNADIN	CA	92410
178	RC	2388410	SMNIINO	68160 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
179	RC	2388427	SMNIINO	68170 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
180	RC	2388434	SMNIINO	68180 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
181	RC	2388441	SMNIINO	68090 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
182	RC	2388458	SMNIINO	68100 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
183	RC	2388472	SMNIINO	68140 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
184	RC	2388489	SMNIINO	68150 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
185	RC	2388498	SMNIINO	68110 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
186	RC	2388502	SMNIINO	68120 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
187	RC	2388519	SMNIINO	68130 CALLE LAS TIEND	DESERT HOT SPR	CA	92240
188	RC	2388588	911 RLCLUTARIO	11058 CANTLAY ST	SUN VALLEY	CA	91352
189	RC	2390079	893 J ALEXANDE	134 KELSO ST	INGLEWOOD	CA	90301
190	RC	2390888	PBPEREZ	3265 CATTARAUGUS A	LOS ANGELES	CA	90034
191	RC	2391584	D CRIMMINS	1777 1791 CONEJO DR	SAN BERNADIN	CA	92404
192	RC	2393382	RICHARD/	1185N NORMANDIE AVE	LOS ANGELES	CA	90029

Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	Escrow Adv	
145	6	RS	231,044	06/01/94	1	0	6,696
146	16	RS	556,556	06/01/94	1	0	0
147	20	RS	693,549	06/01/94	1	0	4,309
148	18	RS	657,119	06/01/94	1	0	19,791
149	30	RS	1,322,910	06/01/94	1	0	17,361
150	8	RS	447,397	03/01/92	1	0	13,633
151	22	RS	1,030,195	02/01/94	1	0	0
152	21	RS	996,579	04/01/93	1	0	4,310
153	5	RS	177,568	05/01/94	1	0	5,200
154	16	RS	913,199	06/01/94	1	819	0
156	20	RS	885,259	11/01/93	1	0	11,155
157	10	RS	330,612	06/01/94	1	0	971
158	10	RS	784,374	06/01/94	1	0	0
159	18	RS	1,100,888		1		
160	16	RS	655,754	06/01/94	1	0	274
161	16	RS	755,789		1		
162	8	RS	452,242		1		
163	12	RS	572,289	06/01/94	1	0	10,967
164	34	RS	1,034,425	07/01/94	1	0	0
165	18	RS	827,558	06/01/94	1	0	18,738
166	16	RS	849,867	06/01/94	1	0	15,220
167	31	RS	1,927,894	01/01/94	1	0	0
168	15	RS	572,427		1		
169	27	RS	1,670,308		1		
170	8	RS	1,013,236	06/01/94	1	995	0
171	36	RS	930,541				
172	15	RS	760,714	05/01/94	1	0	0
173	13	RS	590,522	06/01/94	1	0	0
174	16	RS	1,129,503	02/01/94	1	0	3,864
175	29	RS	979,757	07/01/82	1	0	10,898
176	13	DP	632,681				
177	3	RS	116,249	06/01/94	1	0	80

178	4	RS	109,456	05/01/94	1	445	0
179	4	RS	109,444	05/01/94	1	481	0
180	4	RS	109,063	05/01/94	1	453	0
181	4	RS	109,364	05/01/94	1	446	0
182	4	RS	109,356	05/01/94	1	482	0
183	4	RS	109,358	05/01/94	1	447	0
184	4	RS	109,356	05/01/94	1	482	0
185	4	RS	109,356	05/01/94	0	482	0
186	4	RS	109,360	05/01/94	1	446	0
187	4	RS	109,356	05/01/94	1	482	0
188	10	RS	579,233		1		
189	9	RS	558,923		1		
190	13	RS	492,743	05/01/93	1	0	11,967
191	8	RS	232,292	06/01/94	1	0	2,227
192	30	RS	1,197,989	02/01/94	1	0	0

	Suspense	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/ Fixed	%FFB
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145	0	6.06%	1,167	233,000	08/01/2018	ARM	100%
146	0	5.96%	3,783	584,000	08/01/2018	ARM	100%
147	0	6.00%	3,468	712,000	09/01/2018	ARM	100%
148	0	6.06%	3,318	662,200	09/01/2018	ARM	100%
149	0	5.96%	5,512	1,336,850	10/01/2018	ARM	100%
150	1,155	5.96%	3,824	448,000	10/01/2018	ARM	100%
151	0	6.06%	6,965	1,040,000	09/01/2018	ARM	100%
152	0	6.06%	7,253	1,000,000	11/01/2018	ARM	100%
153	2,241	6.06%	922	178,750	11/01/2018	ARM	100%
154	0	6.06%	6,135	950,000	11/01/2018	ARM	100%
156	0	6.06%	6,392	900,000	12/01/2018	ARM	100%
157	0	6.00%	1,653	334,900	10/01/2018	ARM	100%
158	0	6.11%	5,219	825,000	01/01/2019	ARM	100%
159							100%
160	0	6.06%	3,312	660,000	12/01/2018	ARM	100%
161							100%
162							100%
163	0	6.21%	2,962	575,000	02/01/2019	ARM	100%
164	0	6.11%	8,893	1,075,000	01/01/2019	ARM	100%
165	0	6.21%	5,522	848,900	02/01/2019	ARM	100%
166	0	6.11%	4,327	861,600	02/01/2009	ARM	100%
167	10,214	6.11%	13,924	1,900,000	01/01/2019	ARM	100%
168							100%
169							100%
170	0	6.34%	6,859	1,033,800	09/01/2004	ARM	100%
171							100%
172	0	6.34%	5,217	775,000	09/01/2004	ARM	100%
173	0	6.21%	3,957	596,250	11/01/2004	ARM	100%
174	0	6.21%	6,008	1,150,000	11/01/2004	ARM	100%
175	0	6.34%	8,198	975,000	01/01/2020	ARM	100%
176							100%
177	0	6.21%	765	120,000	04/01/2020	ARM	100%
178	0	6.21%	723	150,000	12/01/2019	ARM	100%
179	0	6.21%	723	150,000	12/01/2019	ARM	100%
180	0	6.21%	721	150,000	12/01/2019	ARM	100%
181	0	6.21%	723	150,000	12/01/2019	ARM	100%
182	0	6.21%	723	150,000	12/01/2019	ARM	100%
183	0	6.21%	723	150,000	12/01/2019	ARM	100%
184	0	6.21%	723	150,000	12/01/2019	ARM	100%
185	0	6.21%	723	150,000	12/01/2019	ARM	100%
186	0	6.21%	723	150,000	12/01/2019	ARM	100%
187	0	6.21%	723	150,000	12/01/2019	ARM	100%
188							100%
189							100%
190	41,973	6.11%	3,335	500,800	04/01/2020	ARM	100%
191	0	6.31%	1,543	240,000	04/01/2005	ARM	100%
192	0	6.11%	8,164	1,221,500	04/01/2020	ARM	100%

Cat.	Loan #	Reo	Name	Address	City	ST	Zip
193	RC	2393634	H NIKNIA	1954 SHENANDOAH ST	LOS ANGELES	CA	90034
194	RC	2394576	GDINC	12036 SATICOY ST	NORTH HOLLYWO	CA	91605
195	RC	2395777	1VBLVDLTD	14153 VICTORY BLVD	VAN NUYS	CA	91401
196	RC	2397490	PVLOUGHNAN	522 LUGONIA AVE	REDLANDS	CA	92373
197	RC	2397506	PVLOUGHNAN	532 LUGONIA AVE	REDLANDS	CA	92373
198	RC	2397513	PVLOUGHNAN	600 LUGONIA AVE	REDLANDS	CA	92373
199	RC	2397520	PVLOUGHNAN	610 LUGONIA AVE	REDLANDS	CA	92373
200	RC	2397537	PVLOUGHNAN	521 COURIER AVE	REDLANDS	CA	92374
201	RC	2397575	PVLOUGHNAN	531 COURIER AVE	REDLANDS	CA	92374
202	RC	2397582	PVLOUGHNAN	1230 OXFORD DR	REDLANDS	CA	92374
203	RC	2397599	PVLOUGHNAN	1224 OXFORD DR	REDLANDS	CA	92374
204	RC	2397605	PVLOUGHNAN	1218 OXFORD DR	REDLANDS	CA	92374
205	RC	2397612	PVLOUGHNAN	1212 OXFORD DR	REDLANDS	CA	92374
206	RC	2397803	PVLOUGHNAN	1116 OXFORD DR	REDLANDS	CA	92374
207	RC	2397810	PVLOUGHNAN	1206 OXFORD DR	REDLANDS	CA	92374
208	RC	2397827	PVLOUGHNAN	1110 OXFORD DR	REDLANDS	CA	92374
209	RC	2397834	PVLOUGHNAN	611 BROCKTON AVE	REDLANDS	CA	92373
210	RC	2397841	PVLOUGHNAN	1209 OXFORD DR	REDLANDS	CA	92374
211	RC	2397858	PVLOUGHNAN	1122 OXFORD DR	REDLANDS	CA	92374
212	RC	2397865	PVLOUGHNAN	1128 OXFORD DR	REDLANDS	CA	92374
213	RC	2397872	PVLOUGHNAN	1134 OXFORD DR	REDLANDS	CA	92374
214	RC	2397889	PVLOUGHNAN	1140 OXFORD DR	REDLANDS	CA	92374
215	RC	2397896	PVLOUGHNAN	1146 OXFORD DR	REDLANDS	CA	92374
216	RC	2398486	J OSTROW	1209N FORMOSA AVE	WEST HOLLYWO	CA	90046
217	RC	2398684	SSNIJJAR	260E NEWBURGH ST	AZUSA	CA	91702
218	RC	2399175	PVLOUGHNAN	1136 POST ST	REDLANDS	CA	92374
219	RC	2399182	PVLOUGHNAN	1202 POST ST	REDLANDS	CA	92374
220	RC	2399199	PVLOUGHNAN	1208 POST ST	REDLANDS	CA	92374
221	RC	2399205	PVLOUGHNAN	528 COURIER AVE	REDLANDS	CA	92374
222	RC	2399212	PVLOUGHNAN	1123 OXFORD DR	REDLANDS	CA	92374
223	RC	2399229	PVLOUGHNAN	1117 OXFORD DR	REDLANDS	CA	92374
224	RC	2399236	PVLOUGHNAN	1111 OXFORD DR	REDLANDS	CA	92374
225	RC	2399298	863 DHWINGATE	852 860 W 1ST ST	SAN PEDRO	CA	90731
226	RC	2400099	619	17923 ARROW ROUTE	FONTANA	CA	92335
227	RC	2400433	GACARTER	8410 8416 BURNET AVE	SEPULVEDA	CA	91343
229	RC	2401627	P PTNSHIP	1920 OVERLAND AVE	LOS ANGELES	CA	90025
230	RC	2402880	ANITA F	10503 10517 MYRTLE ST	DOWNEY	CA	90241
231	RC	2403173	SADAVIS	686S ST ANDREWS PL	LOS ANGELES	CA	90005
233	RC	2403272	HDBARTELT	14614 14618 CHADRON	GARDENA	CA	90249
235	RC	2403715	945 NFTRUST	731W CRESCENT DR	AZUSA	CA	91702
236	RC	2403845	T SAKODA	952 MALTMAN AVE	LOS ANGELES	CA	90026
237	RC	2404190	M RIAZ	115W MOUNTAIN VW A	LA HABRA	CA	90631
238	RC	2404237	11 LLRHODES	24864 EUCALYPTUS AV	MORENO VALLEY	CA	92553
239	RC	2404855	MMHSU	7774 MAGNOLIA AVE	RIVERSIDE	CA	92504
240	RC	2406349	WLJANESKI	11644 ACACIA AVE	HAWTHORNE	CA	90250

Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	Escrow Adv	
193	9	RS	445,669	03/01/94	1	0	0
194	12	RS	809,974	02/01/93	1	0	310
195	32	RS	1,308,291	02/01/94	1	0	0
196	4	RS	233,854	07/01/93	1	0	45
197	4	RS	233,854	07/01/93	1	0	2,033
198	4	RS	233,854	07/01/93	1	0	45
199	4	RS	233,854	07/01/93	1	0	45
200	4	RS	233,854	07/01/93	1	0	45
201	4	RS	233,854	07/01/93	1	0	45
202	4	RS	234,345	06/01/93	1	0	45
203	4	RS	234,345	06/01/93	1	0	45
204	4	RS	234,345	06/01/93	1	0	45
205	4	RS	234,342	06/01/93	1	0	45
206	4	RS	234,345	06/01/93	1	0	45
207	4	RS	234,345	06/01/93	1	0	45
208	4	RS	233,854	07/01/93	1	0	45
209	4	RS	234,345	06/01/93	1	0	45
210	4	RS	234,345	06/01/93	1	0	45
211	4	RS	234,345	06/01/93	1	0	45
212	4	RS	234,345	06/01/93	1	0	45
213	4	RS	234,818	05/01/93	1	0	45
214	4	RS	234,345	06/01/93	1	0	45
215	4	RS	234,345	06/01/93	1	0	45
216	9	RS	451,851	06/01/94	1	250	0
217	38	RS	1,298,793	06/01/94	1	0	50,528
218	4	RS	234,345	06/01/93	1	0	45
219	4	RS	234,345	06/01/93	1	0	45
220	4	RS	234,345	06/01/93	1	0	45
221	4	RS	234,345	06/01/93	1	0	45
222	4	RS	234,345	06/01/93	1	0	45
223	4	RS	234,345	06/01/93	1	0	45
224	4	RS	234,345	06/01/93	1	0	45
225	7	RS	553,827		1		
226	36	RS	1,843,013				
227	16	RS	1,031,114	06/01/94	1	1,071	0
229	8	RS	806,607	06/01/94	1	0	0
230	24	RS	1,136,935	06/01/94	1	0	13,344
231	16	RS	704,191	06/01/94	1	199	0
233	32	RS	1,208,020	06/01/94	1	0	0

235	9	RS	401,470		1		
236	24	RS	1,000,075	06/01/94	1	0	0
237	24	RS	1,238,114	06/01/94	1	0	6,149
238	14	RS	568,481		1		
239	29	RS	611,553	06/01/94	1	922	0
240	26	RS	1,257,011	06/01/94	1	0	0

	Suspense	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/ Fixed	%FFB
193	1,019	6.11%	3,058	457,500	04/01/2020	ARM	100%
194	71,240	10.50%	7,547	825,000	04/01/2000	ARM	100%
195	0	6.11%	8,764	1,356,100	07/01/2020	ARM	100%
196	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
197	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
198	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
199	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
200	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
201	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
202	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
203	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
204	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
205	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
206	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
207	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
208	0	6.11%	1,568	236,000	06/01/2020	ARM	100%
209	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
210	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
211	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
212	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
213	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
214	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
215	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
216	0	6.50%	3,148	476,420	05/01/2020	ARM	100%
217	0	6.59%	9,242	1,343,000	06/01/2020	ARM	100%
218	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
219	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
220	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
221	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
222	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
223	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
224	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
225							100%
226							100%
227	0	6.50%	6,886	1,068,000	06/01/2000	ARM	100%
229	0	6.11%	5,436	834,000	07/01/2020	ARM	100%
230	0	6.11%	7,618	1,190,000	08/01/2020	ARM	100%
231	0	6.63%	4,785	725,000	07/01/2000	ARM	100%
233	0	10.83%	11,413	1,235,000	07/01/2000	ARM	100%
235							100%
236	0	6.11%	6,681	1,032,000	08/01/2020	ARM	100%
237	0	6.21%	8,350	1,252,500	08/01/2005	ARM	100%
238							100%
239	0	6.21%	4,097	1,148,250	09/01/2005	ARM	100%
240	0	6.11%	8,472	1,300,000	07/01/2020	ARM	100%

Recovery Corp

Cat.	Loan #	REO	Name	Address	City	ST	Zip
241	RC	2406516	S ARJOUR	7420 WOODMAN AVE	VAN NUYS	CA	91405
242	RC	2406660	975 STIRENS/	8920 ORION AVE	SEPULVEDA	CA	91343
243	RC	2406721	855 LFJACOBS	7315 7321 WOODMAN A	VAN NUYS	CA	91405
244	RC	2406738	856 LFJACOBS	7301 7309 WOODMAN A	VAN NUYS	CA	91405
245	RC	2406882	PJLOMBARDI	6857 BAIRD AVE	RESEDA	CA	91335
246	RC	2407069	PVLOUGHNAN	1203 OXFORD DR	REDLANDS	CA	92374
247	RC	2407632	AEINCORP	3722 SAWTELLE BLVD	LOS ANGELES	CA	90066
248	RC	2408116	759	1741 EAST LA HABRA BO	LA HABRA	CA	90831
249	RC	2408123	845 JPHILLIPS	1701E LA HABRA BLVD	LA HABRA	CA	90631
250	RC	2408178	PBSLIAO	15520 PARTHENIA ST	SEPULVEDA	CA	91343
251	RC	2408598	JTCHEEK	2509W 182ND ST	TORRANCE	CA	90504
253	RC	2411464	960 D SARKISSI	5111 HAROLD WAY	LOS ANGELES	CA	90027
254	RC	2411549	RICHARD/	1830N KINGSLEY DR	LOS ANGELES	CA	90027
255	RC	2411679	851 M EINHORN	11903 13 VANOWEN ST	NORTH HOLLYWO	CA	91605
256	RC	2411716	560	1229 NORTH MANSFIELD	LOS ANGELES	CA	90038
257	RC	2412771	693	3928 WEST 107TH STREE	INGLEWOOD	CA	90303
258	RC	2413248	5 WWFI/GRE	12036 GREVILLEA AVE	HAWTHORNE	CA	90250
259	RC	2413699	NAPA PRO	18400 NAPA ST	NORTHRIDGE	CA	91325
260	RC	2413750	LDHOLTZMAN	717S WESTLAKE AVE	LOS ANGELES	CA	90057
261	RC	2414500	915 DHWINGATE	14620S BERENDO AVE	GARDENA	CA	90247
262	RC	2414753	40LIMITED	4368 OHIO ST	SAN DIEGO	CA	92014
263	RC	2416858	931 G BRUBAKER	5914 5920 WILLOWCRE	NORTH HOLLYWO	CA	91501

Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	Escrow Adv	
241	32	RS	1,079,756	09/01/93	1	0	58,883
242	48	RS	1,681,313		1		
243	16	RS	570,555		1		
244	24	RS	859,055		1		
245	17	RS	1,069,137	06/01/94	1	0	0
246	4	RS	234,345	06/01/93	1	0	45
247	13	RS	1,409,659	06/01/94	1	0	85
248	38	RS	2,175,635				
249	36	RS	1,999,329		1		
250	22	RS	1,679,430	02/01/94	1	0	0
251	9	RS	472,187	12/01/92	1	0	800
253	17	RS	667,589		1		
254	24	RS	1,201,994	02/01/94	1	0	0
255	24	RS	1,149,842		1		
256	36	RS	3,239,738				
257	11	RS	709,055				
258	7	RS	448,391		1		
259	25	RS	571,415	02/01/94	1	79	0
260	36	RS	282,090	06/01/94	1	0	0
261	5	RS	420,604		1		
262	7	RS	436,175	11/01/93	1	0	17,356
263	12	RS	823,446		1		

Suspense	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/Fixed	%FFB	
241	6,588	6.11%	7,186	1,100,000	07/01/2020	ARM	100%
242							100%
243							100%
244							100%
245	0	6.21%	7,152	1,110,400	09/01/2020	ARM	100%
246	0	6.11%	1,810	236,000	06/01/2020	ARM	100%
247	0	6.11%	9,426	1,473,400	08/01/2020	ARM	100%
248							100%
249							100%
250	0	6.11%	11,165	1,725,000	08/01/2020	ARM	100%
251	31,648	6.11%	3,544	475,000	07/01/2020	ARM	100%
253							100%
254	0	6.09%	7,901	1,237,500	09/01/2020	ARM	100%
255							100%
256							100%
257							100%
258							100%
259	4,629	6.25%	5,810	900,000	09/01/2005	ARM	100%
260	0	6.38%	1,851	592,950	04/01/2001	ARM	100%
261							100%
262	4,691	6.25%	3,622	450,100	12/01/2005	ARM	100%
263							100%

Cat.	Loan #	Reo	Name	Address	City	ST	Zip	
291	RC	2419246	823	JCZULLINGE	6980 VICTORIA AVE	HIGHLAND	CA	92346
292	RC	2419925		J OSTROW	443N SYCAMORE AVE	LOS ANGELES	CA	90036
293	RC	2420093		RGAPTS	627S VELARE ST	ANAHEIM	CA	92804
294	RC	2420369	914	D GOMEZ	2284 LONG BCH BLVD	LONG BEACH	CA	90806
295	RC	2420376	878	D GOMEZ	902 ST LOUIS AVE	LONG BEACH	CA	90804
296	RC	2420383	879	D GOMEZ	908 ST LOUIS AVE	LONG BEACH	CA	90804
297	RC	2420390	880	D GOMEZ	822 ST LOUIS AVE	LONG BEACH	CA	90804
298	RC	2420406	881	D GOMEZ	830 ST LOUIS AVE	LONG BEACH	CA	90804
299	RC	2423795	996	F CONTRERA	4931 ROMAINE ST	LOS ANGELES	CA	90029
300	RC	2423955		DWCHANG	161S ST ANDREWS PL	LOS ANGELES	CA	90004
301	RC	2424408		MRSANDHOFF	11332 DALE ST	GARDEN GROVE	CA	92641
302	RC	2425838	897	AEBREWER	4027 4027 NICOLET AV	LOS ANGELES	CA	90008
303	RC	2426381	842	JDTHOMAS	1732 1736 E SYCAMOR	EL SEGUNDO	CA	90245
304	RC	2426985	848	R MONTANO	500S MONTEBELLO BLV	MONTEBELLO	CA	90840
305	RC	2426992	849	R MONTANO	500S 6TH ST	MONTEBELLO	CA	90840
306	RC	2428059		GROUP I	140 144 N PLEASANT	ONTARIO	CA	91764
307	RC	2428233		PETER R	1715S SUNFLOWER AVE	GLENDDORA	CA	91740
308	RC	2428769		S BANDMAN	1421N MANSFIELD AVE	LOS ANGELES	CA	90028
309	RC	2428776		S BANDMAN	1425N MANSFIELD AVE	LOS ANGELES	CA	90028
310	RC	2429793	965	G BRUBAKER	15900 VANOWEN ST	VAN NUYS	CA	91406
311	RC	2435538		EKINS FA	7755 LAUREL CYN BLV	SUN VALLEY	CA	91352
312	RC	2437114		PVINVGRP	25288 25236 PARK AVE	LOMA LINDA	CA	92354
313	RC	2437190	967	OSJCONSTRU	215E HYDE PARK BLVD	INGLEWOOD	CA	90302
314	RC	2437664	921	D WUNDERMA	221 229 S KENMORE A	LOS ANGELES	CA	90004
315	RC	2438360		S DAVIS	901S ARDMORE AVE	LOS ANGELES	CA	90006
316	RC	2438384		GROUP I	5325 LINDSEY AVE	PICO RIVERA	CA	90660
317	RC	2439202	940	SLDUA	14747 ROSCOE BLVD	PANORAMA CITY	CA	91402
318	RC	2440295		GROUP I	13534 RAMONA BLVD	BALDWIN PARK	CA	91706
319	RC	2440318	942	NFTRUST	1130 & 1132 S KERN AV	LOS ANGELES	CA	90022
320	RC	2441526	827	F PEREZ	6130W BLVD	LOS ANGELES	CA	90043
321	RC	2441731		I FERNANDE	2 BREEZE AVE	VENICE	CA	90291
322	RC	2442475		AAGHONEIM	6216 CEDROS AVE	VAN NUYS	CA	91411
323	RC	2443089	853	C SEATON	2117 2119 W 54TH ST	LOS ANGELES	CA	90062
324	RC	2443645	787		6003 BRYNHURST AVENU	LOS ANGELES	CA	90043
325	RC	2444174		TAGOSCICKI	1744 10TH ST	SANTA MONICA	CA	90404
326	RC	2449421		4MLTD	4128 30 MISSISSIPPI	SAN DIEGO	CA	92104
327	RC	2452007	947	NFTRUST	333 ROCKVALE AVE	AZUSA	CA	91702
328	RC	2452595		L INVESTME	7214 FOUNTAIN AVE	WEST HOLLYWO	CA	90046
329	RC	2492432		FMKENNEDY	4534 AUGUST ST	LOS ANGELES	CA	90006
330	RC	9000187	187		RSC 75-8040 ALII #314	KAILUA-KONA	HI	0
331	RC	9135133		KONA-OFF	KONA OFF SYSTEM LOA	KONA	HI	0
332	RC	9135135		KONA-OFF	KONA OFF SYSTEM LOA	KONA	HI	99999
333	RC	9200002		KONA-REOI	KAILUA KONA HAWAII	KAILUA-KONO	HI	0
334	RC	9200003		KONA-LAND	KONA-HAWAII LAND	KAILUA-KONA	HI	0

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Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	Escrow Adv	Suspense
291	19	RS	671,375		1		
292	8	RS	546,730	06/01/94	1	0	15
293	51	RS	3,061,388	06/01/94	1	0	42,435
294	12	RS	376,996				
295	8	RS	449,861		1		
296	8	RS	408,425		1		
297	8	RS	450,280		1		
298	8	RS	449,395		1		
299	22	RS	762,222		1		
300	21	RS	1,038,917	03/01/93	1	0	44,823
301	17	RS	938,381	06/01/94	1	0	0
302	14	RS	666,913		1		
303	12	RS	775,860		1		
304	22	RS	1,171,112		1		
305	11	RS	620,412		1		
306	3	RS	118,412	06/01/94	1	0	1,360
307	10	RS	804,786	06/01/94	1	0	0
308	12	RS	530,340	02/01/94	1	0	1,677
309	12	RS	534,223	02/01/94	1	0	1,661
310	17	RS	714,708		1		
311	25	RS	1,002,094	05/01/94	1	0	0
312	24	RS	806,947	06/01/94	1	0	0
313	10	RS	602,924		1		
314	12	RS	541,287		1		
315	28	RS	1,075,730	06/01/94	1	223	0
316	48	RS	2,476,509	06/01/94	1	0	49,375
317	27	RS	1,151,940		1		
318	10	RS	488,154	06/01/94	1	0	5,232
319	7	RS	302,380		1		
320	11	RS	420,478		1		
321	31	RS	1,115,094	06/01/94	1	0	2,580
322	22	RS	603,857	03/01/93	1	0	13,684
323	26	RS	1,191,240		1		
324	19	RS	805,894				
325	5	RS	543,433	02/01/93	1	0	0
326	7	RS	436,926	11/01/93	1	0	17,119

327	34	RS	1,098,265		1			
328	21	RS	938,204	06/01/94	1	0	0	0
329	12	RS	430,059	03/01/93	1	0	5,504	0
330	1	RS	246,398					
331	0	HO	37,904			0	0	0
332	5	HO	32,555,387			0	0	0
333	1	RC	203,109			0	0	0
334	0	LD	4,000,000			0	0	0
			-----			-----	-----	-----
			\$ 43,383,956			64,919	1,790,591	984,702
		LESS	\$ 29,463,543					
			-----					
			\$413,920,423					

	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/ Fixed	%FFB
	-----	-----	-----	-----	-----	-----
291						100%
292	6.50%	3,703	561,900	11/01/2000	ARM	100%
293	6.63%	20,953	3,150,000	11/01/2020	ARM	100%
294						100%
295						100%
296						100%
297						100%
298						100%
299						100%
300	6.25%	8,449	1,050,000	11/01/2005	ARM	100%
301	6.25%	6,190	973,300	12/01/2005	ARM	100%
302						100%
303						100%
304						100%
305						100%
306	6.13%	604	120,000	12/01/2020	ARM	100%
307	6.25%	5,309	844,000	12/01/2005	ARM	100%
308	6.25%	3,481	545,000	12/01/2005	ARM	100%
309	6.25%	3,508	549,000	12/01/2005	ARM	100%
310						100%
311	6.25%	6,512	1,050,000	01/01/2006	ARM	100%
312	6.13%	5,430	835,850	06/01/2006	ARM	100%
313						100%
314						100%
315	6.38%	7,240	1,102,500	05/01/2001	ARM	100%
316	6.00%	12,383	210,000	05/01/2021	ARM	100%
317						100%
318	6.00%	2,441	497,000	04/01/2021	ARM	100%
319						100%
320						100%
321	6.13%	7,472	1,150,000	06/01/2006	ARM	100%
322	6.25%	4,904	612,500	04/01/2021	ARM	100%
323						100%
324						100%
325	6.13%	4,307	550,000	04/01/2021	ARM	100%
326	6.13%	2,910	448,500	06/01/2006	ARM	100%
327						100%
328	6.13%	6,224	969,500	07/01/2006	ARM	100%
329	6.38%	3,015	431,250	11/01/2007	ARM	100%
330						100%
331	0.00%	0	0		FIXED	100%
332	0.00%	0	0		FIXED	100%
333	0.00%	0	0		FIXED	100%
334	0.00%	0	0		FIXED	100%

## Recovery Corp: Supplemental Information on Participation Interest Loans

Cat.	Loan #	REO	Name	Address	City	ST	Zip
1	RC	0023756	KIMES	2438 WYANDOTTE ST	MOUNTAIN VALLE	CA	94043
2	RC	0023831	DE LA VI	9256 DE LA VINA	SANTA BARBARA	CA	93103
3	RC	0024193	CARLSBER	364 FIFTH AVE	CHULA VISTA	CA	91910
4	RC	0024407	VIKING	TRIANGLE PK SHO	LONG BEACH	CA	90805
5	RC	0024780	H ANAHEIM	1855S HARBOR DR	ANAHEIM	CA	92802

Units	PType	FFB Gross	Escrow Bal	Escrow Adv	Suspense	%FFB	Investr Nm
1	0	ID	751,085	0	14,697	0	90% RTC
2	0	CO	675,803	0	0	0	90% RTC
3	48	RS	1,035,159	0	0	0	90% RTC
4	0	CO	854,689	0	0	0	90% Metrpltn FSE
5	501	HO	13,848,528	0	0	0	90% Midland

	Other Investor Information			
	Servcr Name	Servcr Ln #	Contact	Phone #
1	Pacific Plnrs	118556241	Betsey Costello	(415)765-699
2	E.O. Services	3000080100	Mary Plivelich	(404)705-565
3	E.O. Services	3000080130	Mary Plivelich	(404)705-565
4	Metrpltn FSB	560	Mike Steele	(612)225-700
5	Midland	9030733	James Thompson	(816)435-500



Schedule 1.01-C

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Pending Loan Modifications Schedule

Loan and REO Purchase Agreement (Primary)

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SPECIAL ASSETS DEPARTMENT  
RECOVERY CORP.  
APPROVED  
MODIFICATION TRACKING REPORT

June 28, 1994

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE		COMMENTS
2011250 Wallach	6/15/94 Approved	Capitalize 4 months, 12 month interest only payment	Gross	4,847,229	Documents out for signatures; 10 signers - 4 are out of country - to close 7/5/94
			Net	4,847,229	
			New Ln. Amt.	4,990,229	
			Loss/Gain	0	
2013645 Jogani	3/17/94 Approved	Capitalize interest for 2 months (Dec. 93 & Jan. 94) Interest only payments for 11 months commencing 2/1/94 Advance taxes totaling \$70,204.72 repay at 10% over 24 months	Gross	3,367,689	Obtaining special title endorsement
			Net	3,367,689	
			New Ln. Amt.	3,402,735	
			Loss/Gain	(35,046)	
2013768 Jogani	3/17/94 Approved	Capitalize interest for 2 months (Dec. 93 & Jan. 94) Interest only payments for 11 months commencing 2/1/94 Advance taxes totaling \$46,127.09 repay at 10% over 24 months	Gross	2,822,915	Obtaining special title endorsement
			Net	2,822,915	
			New Ln. Amt.	2,852,291	
			Loss/Gain	(29,376)	
2013775 Jogani	3/17/94 Approved	Capitalize interest for 2 months (Dec. 93 & Jan. 94) Interest only payments for 11 months commencing 2/1/94 Advance taxes totaling \$16,493.09 repay at 10% over 24 months	Gross	1,279,365	Obtaining special title endorsement
			Net	1,279,365	
			New Ln. Amt.	1,292,679	
			Loss/Gain	(13,314)	
2015207 Rossen Trust	Pending	Processing a 3 month capitalization and 12 months interest only	Gross	2,322,675.09	We finally received enough information to process a capitalization of the Feb., March, and April payments and interest only for 12 months beginning May 1. He has contractor bill paid of \$48,655 and payable of \$38,506. Capitalization amount is \$36,090.
			Net	2,322,675.09	
			New Ln. Amt.	2,322,675.09	
			Loss/Gain	0	

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE		COMMENTS
2015771 Jogani	3/17/94 Approved	Capitalize interest for 2 months (Dec. 93 & Jan. 94) Interest only payments for 11 months commencing 2/1/94 Advance taxes totaling \$90,624.08 repay at 10% over 24 months	Gross Net New Ln. Amt. Loss/Gain	11,122,017 11,102,017 11,237,762 (115,745)	Obtaining special Title endorsement
2017319 Crail	6/21/94 Approved	3 month deferral (Feb.-Apr.), waive late charges and convert payments to Interest only for 12 months (start 5/1/94) Repayment of total deferred interest is over 12 month period (start 5/1/94)	Gross Net New Ln. Amt. Loss/Gain	1,343,729.62 1,343,729.62 0 0	Payment deferral agreement sent to Loan Service on 6/22/94 to attach Schedule "A" and mail to borrower.
2017326 Crail	6/21/94 Approved	3 month deferral (Feb.-Apr.), waive late charges and convert payments to Interest only for 12 months (start 5/1/94) Repayment of total deferred interest is over 12 month period (start 5/1/94)	Gross Net New Ln. Amt. Loss/Gain	6,814,627.81 6,814,627.81 0 0	Payment deferral agreement sent to Loan Service on 6/22/94 to attach Schedule "A" and mail to borrower.
2017333 Crail	6/21/94 Approved	3 month deferral (Feb.-Apr.), waive late charges and convert payments to Interest only for 12 months (start 5/1/94) Repayment of total deferred interest is over 12 month period (start 5/1/94)	Gross Net New Ln. Amt. Loss/Gain	2,879,420.26 2,879,420.26 0 0	Payment deferral agreement sent to Loan Service on 6/22/94 to attach Schedule "A" and mail to borrower.
2019933 A Yau	5/24/94 Approved	3 month capitalization	Gross Net New Ln. Amt. Loss/Gain	1,451,675.38 1,451,675.38 1,451,675.38 0	Borrower out of country Upon execution of Earthquake modification docs - he plans on bringing loan current.
2019971 Krikorian	6/1/94 Approved	3 months capitalization; 6 months interest only	Gross Net New Ln. Amt. Loss/Gain	1,582,328 1,582,328 1,615,659 0	Close by 6/30/94
2022649 Hesby Assoc.	5/11/94 Approved	Processed a 2 month deferral	Gross Net New Ln. Amt. Loss/Gain	2,528,973.49 2,528,973.49 2,528,973.49 0	We deferred Feb. and March payment, and structured the 6 month repayment period to begin July 1 through December 1, 1994. June is paid; the loan is current. Deferral amount is \$34,606.34
2022946 Walker	6/21/94 Closed	Processed a 3 month deferral	Gross Net New Ln. Amt. Loss/Gain	1,459,822.02 1,459,822.02 1,459,822.02 0	We deferred March, April & May. Borrower paid June plus 1/9 on June 17. The loan is current.

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE		COMMENTS
2023000 Harmatz	5/31/94 Approved	Borrower declined assistance	Gross Net New Ln. Amt. Loss/Gain	859,411.48 859,411.48 859,411.48 0	Loan in foreclosure. NOI sent on 6/27/94
2154655 19950 Roscoe	3/23/94 Approved	Processed a 3 month deferral	Gross Net New Ln. Amt. Loss/Gain	1,016,687.03 1,016,687.03 1,016,687.03 0	We deferred Feb., March, and April payments. Borrower paid May and June plus 1/9/repayment. The loan is current.
2262853 Desai	6/22/94 Approved	Earthquake Modification 12 months interest only \$10,00 2 year note - 5% interest 2 month payment deferral (Feb. & Mar.)	Gross Net New Ln. Amt. Loss/Gain	917,527.26 917,527.96 917,527.96 0	Earthquake modification documents closed 6/22/94
2349422 Oceanair	6/27/94 Approved	Earthquake Modification 12 months interest only 3 month capitalization (Feb.-Apr.) \$41,771 24 month Tax repayment plan, 10% interest	Gross Net New Ln. Amt. Loss/Gain	1,927,694.33 1,927,694.33 1,969,465.33 0	Earthquake modification documents in process 6/27/94
2377380 Machorski	4/21/94 Approved	Interest only 12 months Tax impounds	Gross Net New Ln. Amt. Loss/Gain	591,330.50 591,330.50 591,330.50 0	Loan Service has executed docs and borrower's deposit. Closing pending.
2378666 Drinnon	2/15 Approved 3/15 Closed	3 month deferral paid over 9 months Borrower has now refused - Deed in lieu submitted for approval	Gross Net New Ln. Amt. Loss/Gain	1,129,503.23 1,129,503.23 1,129,503.23 (195,200)	Estimated loss based on 6/94 DCF
2393382 Machorski	4/21/94 Approved	Interest only 12 months Capitalization of 1 month Tax impounds	Gross Net New Ln. Amt. Loss/Gain	1,197,988.65 1,197,988.65 1,204,259.12 0	Loan Service has executed docs and borrower's deposit. Closing pending.
2395777 Karubian	4/8/94 Approved	One month deferral to be paid over 3 months Borrower refused - now in foreclosure	Gross Net New Ln. Amt. Loss/Gain	1,303,291 1,303,291 1,303,291 (400,000)	NOD to be filed by 7/6/94 - in foreclosure process Loss reflects loss in market value, not earthquake damage
2403180 Davis	12/6/93 Approved	Early recast of borrower's loan terms Borrower to pay modification of \$4,000 Borrower will pay an additional \$10,000 upon pay off of loan	Gross Net New Ln. Amt. Loss/Gain	1,476,330 1,476,330 1,476,330 0	Borrower has not returned subordination agreement from junior lien holder.

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE		COMMENTS
2408178 Limo	6/3/94 Approved 6/23/94 Closed	6 months capitalization	Gross Net New Ln. Amt. Loss/Gain	1,679,430 1,679,430 1,732,172 0	Closed
2411549 Machorski	4/21/94 Approved	Interest only 12 months Capitalization of 1 month Tax impounds	Gross Net New Ln. Amt. Loss/Gain	1,201,993.83 1,201,993.83 1,208,260.22 0	Loan Service has executed docs and borrower's deposit. Closing pending.
2413699 Napa Properties	5/3/94 Approved	3 month capitalized plus \$17,430 cash advance	Gross Net New Ln. Amt. Loss/Gain	871,414.69 871,414.69 871,414.69 0	Cash advance dc s pending investigation into an unauthorized transfer of title.
2414753 Karpeles	5/12/94 Approved	12 months interest only payments starting 1/1/94	Gross Net New Ln. Amt. Loss/Gain	436,174.51 436,174.51 436,174.51 0	Received verbal approval from Weson; finalizing formal write-up
2428769 Bandman	Pending	Requested tax repay plan Request matching principal reduction; borrower pay \$35,000 cash, Bank would write down loan by \$112,500	Gross Net New Ln. Amt. Loss/Gain	530,340 495,340 382,840 112,500	Borrower under a Reservation of Rights letter while bank considers borrower's request
2428776 Bandman	Pending	Requested tax repay plan Request matching principal reduction; borrower pay \$35,000 cash, Bank would write down loan by \$112,500	Gross Net New Ln. Amt. Loss/Gain	534,223 499,223 386,723 112,500	Borrower under a Reservation of Rights letter while bank considers borrower's request
2449421 Karpeles	Pending	12 months interest only payments starting 1/1/94	Gross Net New Ln. Amt. Loss/Gain	436,925.69 436,925.69 436,925.69 0	Received verbal approval from Weson; finalizing formal write-up
28 Loans Loughnane 112 Units	2/11/94 Approved	Borrower to pay down aggregate principal balance by \$425,000; sleeping 2nd Deed of Trust for \$500,000; shortening maturity by 10 years. Fidelity Federal Bank will write down \$1,636,660; interest only payments for 2 years; future tax impounds.	Gross Net New Ln. Amt. Loss/Gain	6,561,660 4,208,689 4,500,000 (1,636,660)	Anticipate closing 6/30/94

Ground Lease

Ground Lease dated May 12, 1982 between Louis C. Burgener and William N. Galbreath, as amended by that certain Addendum to Ground Lease dated December 28, 1982 between Louis C. Burgener and William N. Galbreath and that certain Amendment to Ground Lease dated May 3, 1983 by and among Louis C. Burgener, Stewart Title Company of San Diego and Inn at Mission Bay.

Loan and REO Purchase Agreement (Primary)

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Schedule 1.01-E

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REO Property Schedule

[This schedule has been integrated into the Mortgage Loan Schedule]

Loan and REO Purchase Agreement (Primary)

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Schedule 2.07(a)(ii)

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Earthquake Deferrals

Loan and REO Purchase Agreement (Primary)

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EARTHQUAKE SCHEDULE

Earthquake Info as of the 6/15/94 loan tape  
 "Status" is as of 6/30/94

Recovery Corp

Cat.	Loan #	Name	Offcr	Status	Closed Dt	Pymts Deferred	Pymt Def #Mnths	Pymt Def Prin Amnt
1	RC	2011250	MERVYN S	JLT	Docs out for Signature		0	
2	RC	2015207	JADW	WFS	Docs out for Signature		0	
3	RC	2017319	C CRAIL	TF	Docs out for Signature	Feb, Mar, Apr	3	7,446
4	RC	2017326	C CRAIL	TF	Docs out for Signature	Feb, Mar, Apr	3	37,752
5	RC	2017333	C CRAIL	TF	Docs out for Signature	Feb, Mar, Apr	3	15,952
6	RC	2019933	A YAU	CMcG	Docs out for Signature		0	
7	RC	2019971	PCKRIKORIA	WRW	Docs out for Signature		0	
8	RC	2022649	1HASSOCIAT	WFS	Signed Agreement	Apr, May	2	13,276
9	RC	2022945	WEWALKER	WFS	Docs out for Signature	Mar, Apr, May	3	5,735
10	RC	2154655	1RBLVD	WFS	Docs out for Signature	Feb, Mar, Apr	3	12,289
11	RC	2262853	AADESAI	JK	Signed Agreement	Feb, Mar	2	2,859
12	RC	2349422		JK	Docs out for Signature		0	
13	RC	2393382	RICHARD/	RGN	Docs out for Signature		0	
14	RC	2393634	H NIKNIA	JFK	Signed Agreement	03/31/94 Feb, Mar	2	1,467
15	RC	2408178	PBSLIAO	WRW	Signed Agreement		0	
16	RC	2411549	RICHARD/	RGN	Signed Agreement		0	
17	RC	2413699	NAPA PRO	CMcG	Signed Agreement		0	
18	RC	2435538	EKINS FA	JLT	Signed Agreement	03/23/94 Feb	1	1,170
								-----
18								97,946

Pymt Def Int Amnt	Pymt Def Total Amnt	Int Capzn #Mnths	Int Only #Mnths	Advanc Amount	Advanc Term #Mnths	#Mnths Allowed to repay	1st Pymt Due	Eqk Adj Dig
1		0	4	0	0	0	06/01/94	0
2		0	3	12	31,000	24	04/01/94	29
3	24,427	27,873	0	12	0	0	05/01/94	29
4	103,598	141,350	0	12	0	0	05/01/94	29
5	43,773	59,725	0	12	0	0	05/01/94	29
6		0	3	0	0	0	05/01/94	59
7		0	3	0	0	0	05/01/94	0
8	25,640	38,916	0	0	0	0	07/01/94	29
9	24,972	30,707	0	0	0	0	06/01/94	0
10	15,817	28,106	0	0	0	0	06/01/94	29
11	9,324	12,183	0	12	0	0	04/01/94	59
12		0	2	12	0	0	05/01/94	89
13		0	1	12	0	0	03/01/94	69
14	4,647	6,114	0	0	0	0	04/01/94	29
15		0	6	0	50,000	24	07/01/94	0
16		0	1	12	0	0	03/01/94	89
17		0	3	12	17,430	24	05/01/94	29
18	5,342	6,512	0	0	0	0	03/01/94	29
								-----
253,540		351,486		98,430				

Litigation

The Seller has been sued by several of its adjustable rate mortgage ("ARM") borrowers who have contended that the Seller miscalculated interest rate adjustments because of a 30 or 60 day delay in the recognition of downward movements in the Eleventh District Cost of Funds Index. A 60 day delay, which was not specifically provided for in the related promissory note, was attributable to the need to give borrowers at least 30 days' notice before the effective date of any interest rate change, and the fact that, since the notes are paid in arrears, the first payment amount affected by the interest rate change is due approximately 30 days after such change becomes effective, thus resulting in an index review and notice date approximately 60 days before the payment amount changes. The Seller contends that its consistent use of interest rate adjustment notices constitutes a course of dealing which clarifies any omission or ambiguity in the ARM promissory note. Also, the promissory notes related to residential loans secured by one to four unit properties must be interpreted in accordance with applicable federal regulations that require 30 days' notice of a change in interest rates.

Although no Mortgage Loans under the Agreement are currently the subject of a lawsuit as described above, certain of the Mortgage Loans had interest rate adjustments made in the same manner as described above, and the Seller has received letters from a loan auditor contending that certain of the Mortgagors have overpaid interest because of the manner in which such interest rate adjustments were made. The following describes the status of current litigation involving loans that are not Mortgage Loans, but which have similar interest rate adjustment provisions to certain of the Mortgage Loans:

1. HUBBARD V. FIDELITY FEDERAL BANK Civil No. 92-3939 MRP. Fidelity

Federal Bank ("Fidelity") is a defendant in a purported class action on file in the United States District Court for the Central District of California alleging violation of the Truth In Lending Act and breach of contract and negligence. The case arises out of the alleged miscalculation of adjustments to the applicable interest rate of an adjustable rate mortgage loan. The complaint seeks compensatory damages and attorneys' fees in an unspecified amount relating to alleged class-wide over-charges. On February 8, 1993, plaintiff Hubbard filed a First Amended Class Action Complaint which added plaintiff Earle S. Humphreys and Nicette M. Humphreys as class representatives and also new claims for fraud and negligent misrepresentation. Defendant Fidelity had already filed a motion for summary judgment which the Court treated as applicable to the First Amended Complaint. On June 7, 1993, the Court issued a decision granting defendant's motion for summary judgment on the grounds that plaintiffs had failed to demonstrate the existence of a genuine issue of fact as to their claims for breach of contract, negligence, fraud, and negligent misrepresentation. Furthermore, the Court concluded that plaintiffs Truth-In-Lending Act claimed were barred by the Statute of Limitations. On July 7, 1993, plaintiffs filed a Notice of Appeal. The matter is now pending before the Court of Appeals for the Ninth Circuit and the transcript on appeal is still in the process of being prepared.

2. OCEANSIDE 84, LTD V. FIDELITY FEDERAL BANK, Case No. BC083318-Los

Angeles Superior Court. Fidelity Federal Bank ("Fidelity") is a defendant in a purported class action on file in the Superior Court of the State of California, County of Los Angeles, alleging breach of contract and unfair trade practices arising out of its adjustment of adjustable rate mortgages. The Complaint seeks compensatory damages and attorneys' fees in an unspecified amount relating to alleged class-wide overcharges due to the use of a "look back period" for the calculation of interest rate adjustments. Fidelity's motion for summary judgment was granted for the unfair competition claim and denied on the breach of contract claim because of the Court's

Loan and REO Purchase Agreement (Primary)

perception of triable issues of fact relating to custom and usage. The total damage claim amounts to slightly over \$15,000.

3. WEBER, ET AL V. FIDELITY FEDERAL BANK, Case No. BC094073, Los

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Angeles Superior Court. On November 30, 1993, an action was filed against Fidelity Federal Bank ("Fidelity") in the Los Angeles Superior Court for breach of contract, declaratory relief and fraud arising out of the manner in which Fidelity calculated interest rate adjustments on a group of 41 separate non-owner occupied/residential adjustable rate loans. The complaint was answered on January 26, 1994. It is Fidelity's present plan to file a motion for summary judgment similar to the one in the Oceanside 84 case described above. The

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damage claims on the individual loans average about \$3,000, but will be subject to set-offs for adjustments in rising interest markets.

4. SMALL CLAIMS. Fidelity has been sued in 21 separate small claims matters by individual ARM borrowers. Each of the matters has been filed in the Municipal Court for Santa Clara County and have been prompted by the actions of a single loan auditing firm which has contacted Fidelity's borrowers in the Bay Area. Most, if not all, of the claims are for less than \$2,000. Judgments have been entered against Fidelity in 5 of the matters. One of the small claims has been settled and one will be tried de novo on appeal as a test case in October.

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In addition, a lawsuit challenging the validity of the foreclosure of Loan No. 21-01-2350996 (REO No. 980): Klaus v. Gateway Mortgage Company,  
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Fidelity Federal Bank, et al., Case No. BC103801, Los Angeles Superior Court.  
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The description appearing on this Schedule 3.01(iv) are for the sole purpose of identifying to the Purchaser possible claims or contentions of which the Seller is aware that may be made with respect to Mortgage Loans. The Seller makes no representation regarding the merit or lack of merit of any such claim or contention and such descriptions are not and shall not be deemed to be an admission of any fact or liability with respect to the matters described thereby.

Loan and REO Purchase Agreement (Primary)  
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Schedule 3.02(iv)

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Second Mortgages

Loan and REO Purchase Agreement (Primary)

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2nd TD Mortgage Loan Schedule

Figures as of 5/31/94

Recovery Corp.

Cat.	Loan #	Name	Address	City	Units	PType	FFB Gross	Pos	1st TD Lien Holder	
1	RC	2009202	SCFTHLSINV	8051 8095 SUNRISE E	CITRUS HEIGHTS	144	RS	2,135,900	2	GMAC Mtg Corp
2	RC	2009219	SCFTHLSINV	5105 5137 ANDREA BLVD	NORTH HIGHLANDS	144	RS	1,501,623	2	GMAC Mtg Corp
3	RC	2015788	SJJOGANI	17171 ROSCOE BLVD	NORTHRIDGE	258	RS	2,092,177	2	FIDELITY FEDERAL

	Address	Phone #	1st TD Ln #
1	8360 Old York Rd, Philadelphia, PA 19117	(215)881-1650	08800617230
2	8360 Old York Rd, Philadelphia, PA 19117	(215)881-1650	08800617400
3			2015771

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Other Originators of Mortgage Loans

Loan and REO Purchase Agreement (Primary)  
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Form of  
Assignment of Intangible Personal Property

ASSIGNMENT OF GENERAL INTANGIBLES,  
LICENSES AND PERMITS  
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THIS ASSIGNMENT OF GENERAL INTANGIBLES, LICENSES AND PERMITS ("Assignment") is made as of the \_\_\_\_ day of \_\_\_\_\_, 1994, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has sold and conveyed to Assignee certain real property and improvements located thereon, if any (collectively, "Property"), pursuant to that certain Loan and REO Purchase Agreement dated [July 9, 1994] between Assignor and Assignee (the "Purchase Agreement").

B. It is a condition to the consummation of the transactions contemplated by the Purchase Agreement that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, transfer, assign, deliver, grant and convey unto Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under the following property and rights (collectively, "Assigned Items"), all of which are located in or about, pertain to or are related to the Property:

(a) All surveys, site plans, engineering, architectural, structural, electrical, mechanical and other plans, specifications, drawings, if any, and all other documentation of any type relating to the construction, maintenance and/or operation of the Property.

(b) To the extent assignable without the consent of any third party, all warranties and guarantees, if any, from any and all parties in connection with the construction, maintenance and operation of the Property, or in connection with any fixtures or equipment located on the Property.

(c) To the extent legally assignable, all licenses, permits, authorizations, approvals, registrations, certificates of occupancy and like authorizations issued by any governmental authority, federal, state or local, in connection with the Property.

3. Headings. The headings used in this Assignment are for purposes of convenience only and shall not be used in construing the provisions hereof.

4. Covenant Of Further Assurances. The parties hereto agree to execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Assignment.

Loan and REO Purchase Agreement (Primary)  
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6. Governing Law. This Assignment shall be governed by and construed  
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in accordance with the laws of the State of California.

7. Severability. The provisions of this Assignment shall be deemed  
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severable, and the invalidity or unenforceability of any one or more of the  
provisions hereof shall not affect the validity or enforceability of the other  
provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to  
be executed as of the day and year first above written.

ASSIGNOR:  
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FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSIGNEE:  
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\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Loan and REO Purchase Agreement (Primary)  
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Exhibit A

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[PROPERTY NAME AND ADDRESS]

[Seller will attach an Exhibit A page for each REO Property]

Loan and REO Purchase Agreement (Primary)

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Form of  
Bill of Sale

BILL OF SALE  
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For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Fidelity Federal Bank, a Federal Savings Bank ("Seller"), does hereby sell and deliver unto Colony Capital, Inc. ("Purchaser"), all of Seller's right, title and interest in all of the tools, equipment, supplies, inventory, fixtures and equipment not deemed or constituting realty, as well as all furniture, furnishings, and all other like items of personal property which as of the date hereof are located on or used exclusively in connection with the real property described on Exhibit 1 attached hereto, but expressly not including any personal property that may belong to any tenant or property manager of such real property.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of this \_\_\_\_ day of \_\_\_\_\_, 1994.

SELLER:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Loan and REO Purchase Agreement (Primary)  
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Exhibit 1

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Legal Description

[Seller will attach a legal description of each REO Property]

Loan and REO Purchase Agreement (Primary)

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Form of  
Equity Commitment Certification

[Date]

Colony Capital, Inc.  
1999 Avenue of the Stars, Suite 1200  
Los Angeles, California 90067  
Attention: Lawrence A. Kestin, Esq.  
Facsimile: (310) 282-8808

Colony Capital, Inc.  
201 Main Street, Suite 2420  
Fort Worth, Texas 76102  
Attention: Richard Ekleberry  
Facsimile: (817) 871-4010

Re: Equity Commitment Certification Pursuant to the Loan and REO Purchase Agreement (Primary) dated July 13, 1994 between Fidelity Federal Bank and Colony Capital, Inc. (the "Purchase Agreement")

Dear Sirs:

The undersigned hereby certifies that Fidelity Federal Bank, a Federal Savings Bank (the "Seller") has received written and binding commitments to purchase at least an amount of shares of the Seller's Class A Common Stock and Class C Common Stock pursuant to the Offering Circular having an aggregate purchase price of \$110,000,000 and that such commitments are subject only to the following conditions:

- (i) the timely receipt by the Deposit Escrow Agent of the full amount of the Deposit (ten percent of the Purchase Price) in accordance with the terms of the Deposit Escrow Agreement;
- (ii) the delivery by the Seller or J.P. Morgan Securities Inc. of timely notification to the purchasers of such shares that the Seller is calling upon their obligation to deliver the purchase price for such shares and consummate the purchase of such shares; and
- (iii) the satisfaction or waiver of customary closing conditions.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Purchase Agreement.

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by an officer thereunto duly authorized on the date first written above.

[J.P. Morgan Securities Inc. or  
counsel to the Seller]

Loan and REO Purchase Agreement (Primary)

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Form of  
Half Commitment Certification

[Date]

Colony Capital, Inc.  
1999 Avenue of the Stars, Suite 1200  
Los Angeles, California 90067  
Attention: Lawrence A. Kestin, Esq.  
Facsimile: (310) 282-8808

Colony Capital, Inc.  
201 Main Street, Suite 2420  
Fort Worth, Texas 76102  
Attention: Richard Ekleberry  
Facsimile: (817) 871-4010

Re: Equity Commitment Certification Pursuant to the Loan and REO Purchase Agreement (Primary) dated July 13, 1994 between Fidelity Federal Bank and Colony Capital, Inc. (the "Purchase Agreement")

Dear Sirs:

The undersigned hereby certifies that Fidelity Federal Bank, a Federal Savings Bank (the "Seller") has received written and binding commitments to purchase at least an amount of shares of the Seller's Class A Common Stock and Class C Common Stock pursuant to the Offering Circular having an aggregate purchase price of \$55,000,000 and that such commitments are subject only to the following conditions:

(i) the timely receipt by the Deposit Escrow Agent of the full amount of the Deposit (ten percent of the Purchase Price) in accordance with the terms of the Deposit Escrow Agreement;

(ii) the timely receipt by the Seller of written and binding commitments to purchase at least an amount of shares of the Seller's Class A Common Stock and Class C Common Stock pursuant to the Offering Circular having an aggregate purchase price of \$110,000,000

(iii) the delivery by the Seller or J.P. Morgan Securities Inc. of timely notification to the purchasers of such shares that the Seller is calling upon their obligation to deliver the purchase price for such shares and consummate the purchase of such shares; and

(iv) the satisfaction or waiver of customary closing conditions.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Purchase Agreement.

Loan and REO Purchase Agreement (Primary)  
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IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by an officer thereunto duly authorized on the date first written above.

[J.P. Morgan Securities Inc. or  
counsel to the Seller]

Loan and REO Purchase Agreement (Primary)

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## DEPOSIT ESCROW AGREEMENT

This Escrow Agreement is made as of July 13, 1994 among COLONY CAPITAL, INC. (the "Depositor"), FIDELITY FEDERAL BANK (the "Beneficiary") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK ("Morgan"), as Deposit Escrow Agent hereunder (the "Deposit Escrow Agent").

1. Escrow Account. The Depositor and the Beneficiary have entered into

that certain Loan and REO Purchase Agreement (Primary) dated as of July 13, 1994 (the "Purchase Agreement"), and have delivered to the Deposit Escrow Agent a copy of such executed Purchase Agreement. The Depositor has agreed to deliver to the Deposit Escrow Agent no later than July 14, 1994, in escrow pursuant to the terms hereof, the sum of Five Million Dollars (\$5,000,000), and has agreed pursuant to Section 2.01 of the Purchase Agreement to deposit an additional Twenty-Two Million, Seven Hundred Thousand, Ninety-Five Dollars (\$22,700,095), which funds together constitute the "Deposit" thereunder and hereunder. The Deposit Escrow Agent agrees to accept each tranche of said Deposit and to establish and maintain a separate non-interest bearing escrow account therefor and for investments and reinvestments thereof (the "Escrow Account") pursuant to the terms hereof. Upon written notice from the Depositor, the Beneficiary or J.P. Morgan Securities Inc. in accordance with Section 3 below, the Deposit Escrow Agent shall liquidate the Escrow Account and pay the net proceeds of the Escrow Account to the Beneficiary or as the Beneficiary shall direct or to the Depositor or as the Depositor shall direct, as applicable. The funds in the Escrow Account remain the funds of the Depositor, subject only to the rights of the Beneficiary to receive such funds under the circumstances described in this Agreement.

2. Investment. The Deposit Escrow Agent agrees to invest each tranche of

the Deposit on the date of receipt thereof, provided that the funds and written instructions signed by a person identified in Exhibit A hereto and specifying the exact investment to the satisfaction of the Deposit Escrow Agent are received by the Deposit Escrow Agent prior to 10:00 a.m. Eastern Time; and to reinvest the Escrow Account within two business days after receipt of written instructions signed by a person identified in Exhibit A hereto and specifying the exact investment or reinvestment to the satisfaction of the Deposit Escrow Agent, only in one or more of the following investments (the "Obligations") at the time of investment:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; or
- (ii) Repurchase Agreements involving Obligations listed in (A) above; or
- (iii) Certificates of Deposit issued, or day of deposit to day of withdrawal interest bearing accounts offered, by any bank, trust company or national banking association having capital stock, surplus and undivided profits not less than \$50,000,000 as indicated in its most recently published statement of condition; or
- (iv) Money Market Investment Options identified in Exhibit B hereto; or
- (v) Such other investment as the Depositor, the Beneficiary and the Deposit Escrow Agent may agree in writing.

The initial investment hereunder shall be in repurchase agreements pursuant to clause (ii) above. Investments may be made in Obligations of Morgan or any affiliate of Morgan. The Deposit Escrow Agent may purchase Obligations through Morgan and its affiliates and

Morgan and its affiliates may retain any charges or commissions customarily imposed for such purchases as if Morgan were not Deposit Escrow Agent hereunder. If the Deposit Escrow Agent determines that any investment instruction is not satisfactory to it, the Deposit Escrow Agent will use reasonable efforts to obtain a satisfactory investment instruction in lieu thereof. Interest and other earnings on the Obligations shall be added to the Escrow Account. Any loss incurred from an investment, including without limitation market loss resulting from early liquidation of and all costs of investment or liquidation, including without limitation all withholding and other taxes, will be borne by the Escrow Account. The Depositor and the Beneficiary agree to furnish to the Deposit Escrow Agent upon execution of this agreement and as subsequently required all appropriate U.S. tax forms and information in order for the Deposit Escrow Agent to comply with U.S. tax regulations. The Depositor agrees that any income earned on the Escrow Account will be reported as calendar year income to the U.S. IRS for the Depositor's account and shall be subject to any applicable withholding taxes, unless the Escrow Account shall have been delivered to Beneficiary by reason of a default by Depositor under the Purchase Agreement.

No Obligation shall have a final maturity which exceeds August 23, 1994, provided that on and after August 23, 1994, the Deposit Escrow Agent may invest and reinvest the Escrow Account in Obligations having a maturity of one day; and provided further that investments in Money Market Investment Options defined in Exhibit B hereto and deposits in a day of deposit to day of withdrawal interest bearing account shall be deemed to have a maturity of one day.

3. Disbursement of Escrow Account.  
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(a) Except as provided in subparagraph (b) below, the net proceeds of the Escrow Account shall be paid in accordance with the provisions of Sections 2.01 and 6.08 of the Purchase Agreement, which Sections of the Purchase Agreement (and the definitions of the capitalized terms used in such Sections) are hereby incorporated by reference as though fully set forth in this Section 3. Capitalized terms used in this Section 3 and not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Purchase Agreement. Notice of any action taken by Deposit Escrow Agent under this Section 3 shall be given to all parties promptly. In order to effect the provisions of this Section 3:

(i) If the Deposit Escrow Agent receives notice from the Beneficiary stating that the Depositor has breached or anticipatorily breached the Purchase Agreement, or that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Depositor or the Depositor's failure to satisfy a condition precedent to the Closing, and such notice is also signed by the Depositor, then the Deposit Escrow Agent shall, not later than the following day, pay to the Beneficiary in immediately available funds by wire transfer to the account specified by the Beneficiary, the full amount of the Deposit including all interest earned thereon to the date of payment;

(ii) If the Deposit Escrow Agent receives notice from the Beneficiary stating that the Depositor has breached or anticipatorily breached the Purchase Agreement, or that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Depositor or the Depositor's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Depositor, then the Deposit Escrow Agent shall immediately notify the Depositor of the receipt thereof and if within four business days of receipt of such notice by the Depositor the Deposit Escrow Agent has not been notified by the Depositor that the Depositor disputes such notice then the Deposit Escrow Agent shall, not later than the following day, pay to the Beneficiary in immediately available funds by wire transfer to the account specified by the Beneficiary, the full amount of the Deposit including all interest earned thereon to the date of payment;



(iii) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is also signed by the Beneficiary, then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(iv) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Beneficiary, then the Deposit Escrow Agent shall immediately notify the Beneficiary of the receipt thereof and if within four business days of receipt of such notice by the Beneficiary the Deposit Escrow Agent has not been notified by the Beneficiary that the Beneficiary disputes such notice then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(b) If on or after July 22, 1994 or such later date as the Depositor and the Beneficiary shall agree in writing and notify the Escrow Deposit Agent, the Deposit Escrow Agent has received a notice from J.P. Morgan Securities Inc. that J.P. Morgan Securities Inc. has not received written or verbal notice from the Office of Thrift Supervision ("OTS") that the Purchase Agreement has been approved by the OTS, then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit then held, including all interest earned thereon to the date of repayment. The parties hereto expressly acknowledge and grant their consent that the instruction to the Deposit Escrow Agent in this Section 3(b) is irrevocable and shall be adhered to by the Deposit Escrow Agent notwithstanding the receipt by the Deposit Escrow Agent of any conflicting notices, instructions or demands made by any person (including the Depositor and the Beneficiary), except for the order of a court having proper jurisdiction expressly prohibiting the disposition of the Deposit and interest thereon as contemplated hereunder.

(c) If by the close of business on August 4, 1994 or such later date as the Depositor and the Beneficiary shall agree in writing, the Deposit Escrow Agent has received the second tranche of the Deposit of Twenty-Two Million, Seven Hundred Thousand, Ninety-Five Dollars (\$22,700,095) in accordance with Section 1 of this Agreement, and on or after the business day next following such date the Deposit Escrow Agent receives a notice from J.P. Morgan Securities Inc. that the closing of the issuance and sale of the Common Stock pursuant to the Offering Circular has not occurred, then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment. The parties hereto expressly acknowledge and grant them consent that the instruction to the Deposit Escrow Agent in this Section 3(c) is irrevocable and shall be adhered to by the Deposit Escrow Agent notwithstanding the receipt by the Deposit Escrow Agent of any conflicting notices, instructions or demands made by any Person (including the Depositor and the Beneficiary), except for the order of a court having proper jurisdiction expressly prohibiting the disposition of the Deposit and interest thereon as contemplated hereunder.

(d) Any disputes of which the Deposit Escrow Agent has notice prior to the payment or repayment of the Deposit in accordance with Section 3(a) above shall be subject to Section 4(d) of this Agreement.

4. The Deposit Escrow Agent.

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(a) The Depositor and the Beneficiary agree jointly and severally to indemnify, defend, and hold the Deposit Escrow Agent harmless against all losses, liabilities and expenses (including attorney's fees and expenses), arising out of or in connection with this Agreement or any transaction related hereto, except to the extent that any such loss, liability, or expense results from the gross negligence or willful misconduct of the Deposit Escrow Agent. The foregoing indemnities shall survive the resignation of the Deposit Escrow Agent and the termination of this Agreement.

(b) The Deposit Escrow Agent's duties are only such as are specifically provided herein, and the Deposit Escrow Agent shall incur no fiduciary or other liability whatsoever to the Depositor or the Beneficiary, or any other person, except to the extent the Depositor or the Beneficiary incur loss or liability due to the Deposit Escrow Agent's gross negligence or willful misconduct. The Deposit Escrow Agent may consult with counsel and shall be fully protected in any action taken in good faith in accordance with such advice. The Deposit Escrow Agent may rely and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed. The Deposit Escrow Agent shall not be liable for interest on the Escrow Account except to the extent earned.

(c) The Depositor and the Beneficiary agree to pay the Deposit Escrow Agent, in equal portions, annually in advance, as compensation for the ordinary administrative services to be rendered hereunder, a fee of \$4,500 per year, or any part thereof, from and after the date first written above payable on the execution of this agreement and on each anniversary of the date first written above. The Depositor and the Beneficiary agree further to pay in equal portions all expenses of the Deposit Escrow Agent, including its attorney's fees and expenses, which it may incur in connection with the performance of its duties under this Agreement or the enforcement of the indemnities provided in Section 4(a). The Deposit Escrow Agent's claim for such fees and expenses and for its indemnities provided in Section 4(a) shall constitute a first lien against the Escrow Account.

(d) It is understood and agreed that should any dispute arise with respect to the payment and/or ownership or right of possession of the Escrow Account, except as provided in Section 3(b) and 3(c) above, the Deposit Escrow Agent may retain in its possession, without liability to anyone, all or any part of said Escrow Account until such dispute shall have been settled either by agreement of the parties to such dispute or by the final order, decree or judgment of a court or other tribunal of competent jurisdiction in the United States after the time for appeal has expired and no appeal has been perfected. The Deposit Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings. The Deposit Escrow Agent may turn over all or any part of the Escrow Account to or upon instruction of such court or tribunal, without liability to any person, in the case of any such dispute. Notice of any such dispute or of any disposition of all or any part of the Escrow Account shall be given by Escrow Deposit Agent to all parties promptly.

(e) The Deposit Escrow Agent may resign at any time by giving written notice thereof to the Depositor and the Beneficiary. Such resignation shall become effective when a successor Deposit Escrow Agent shall have been appointed by the Depositor and shall have accepted such appointment in writing. If an instrument of acceptance by a successor Deposit Escrow Agent shall not have been delivered to the Deposit Escrow Agent within 30 days after the giving of such notice of resignation, the Deposit Escrow Agent's duties hereunder are limited to holding the Escrow Account without further reinvestment and disposing of the Escrow Account as directed jointly by the Depositor and the Beneficiary. The resigning Deposit Escrow Agent may at the expense of the Depositor and the Beneficiary petition any court of competent jurisdiction,

including without limitation the Supreme Court of the State of New York, for the appointment of a successor Deposit Escrow Agent and may turn over the Escrow Account to such successor Deposit Escrow Agent.

(f) Morgan and its affiliates may, without having to account therefor to any person, accept deposits from, extend credit (on a secured or unsecured basis) to and generally engage in any kind of banking, trust or other business with the Depositor or the Beneficiary or any of their affiliates as if it were not acting as the Deposit Escrow Agent, and may accept fees and other consideration for services in connection with this Agreement or otherwise without having to account for the same to any person.

5. Notices. Any notices or other communications permitted or required

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hereunder shall be in writing and shall be personally delivered, sent by overnight delivery service, or mailed by certified mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile (tested by telephonic confirmation of receipt) to the following addresses, or such other address as may hereafter be furnished in writing in the same manner:

(i) if to the Deposit Escrow Agent, to:

Morgan Guaranty Trust Company of New York  
60 Wall Street, 36th Floor  
New York, New York 10260  
Attention: Corporate Trust Administration, Norma Pane  
Telecopier: (212) 648-5103  
Telephone: (212) 648-9261

(ii) if to the Depositor, to

Colony Capital, Inc.  
1999 Avenue of the Stars, Suite 1200  
Los Angeles, California 90067  
Attention: Lawrence A. Kestin  
Telecopier: (310) 282-8808  
Telephone: (310) 282-8820

with a copy to:

Colony Capital, Inc.  
201 Main Street, Suite 2420  
Fort Worth, Texas 76102  
Attention: Richard Ekleberry, Esq.  
Telecopier: (817) 871-4010  
Telephone: (817) 871-4080

and

(iii) if to the Beneficiary, to:

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: Richard Greenwood  
Chairman and CEO

and

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James F. Barnett  
Senior Vice President,  
Credit Administration

Telecopier: (818) 549-3002

Telephone: (818) 956-7100

with a copy to:

Fidelity Federal Bank  
600 N. Brand Avenue  
Glendale, California 91209  
Attention: Frederick I. Fox, Esq.  
Telecopier: (818) 549-3773  
Telephone: (818) 549-3693

Notices shall be effective on receipt. The date of receipt of a notice transmitted by telex, telegraph or facsimile shall be the date of such telex, telegraph or facsimile, if sent prior to 6:00 p.m. Pacific Time, and the next business day if sent after 6:00 p.m. Pacific Time, except that the date of receipt of a notice transmitted to the Deposit Escrow Agent by telex, telegraph or facsimile shall be the date of such telex, telegraph or facsimile, if sent prior to 6:00 p.m. Eastern Time, and the next business day if sent after 6:00 p.m. Eastern Time.

6. Miscellaneous. This Agreement may be amended only in writing,

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signed by the parties hereto. It expresses the entire understanding of the parties hereto with regard to the subject matter hereof. No third party shall benefit from or be entitled to enforce any provision hereof. No party shall assign its rights or duties hereunder except in accordance with the provisions of Section 8.10 of the Purchase Agreement. This Agreement shall be construed in accordance with the laws of the State of New York. It may be executed in several counterparts, each one of which shall constitute an original, and all collectively shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have duly executed this Deposit Escrow Agreement as of the date first written above.

ATTEST: COLONY CAPITAL, INC., Depositor

[SEAL]

By: /s/ LAWRENCE A. KESTIN

Name: Name: Lawrence A. Kestin,  
Title: Title: Vice President

ATTEST:

[SEAL]

FIDELITY FEDERAL BANK, Beneficiary

By: /s/ GODFREY B. EVANS

Name: Name: Godfrey B. Evans  
Title: Title: Senior Vice President and  
General Counsel

ATTEST: MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK, as Deposit  
Escrow Agent

[SEAL]

By: /s/ NORMA R. PANE

Name: Name: Norma R. Pane  
Assistant Secretary Title: Vice President

Exhibit A  
-----

Persons authorized to sign investment instructions

Name and Title	Signature
Lawrence A. Kestin Vice President	/s/ LAWRENCE A. KESTIN -----
Mark Hedstrom Vice President	-----
Kelvin Davis Executive Vice President	-----

The undersigned Secretary/Assistant Secretary of the corporation identified as the Depositor in the Deposit Escrow Agreement to which this certificate is Exhibit A hereby certifies that the above named persons are authorized to give investment instructions and that the title and signature of each is such person's true title and signature.

-----  
Secretary/Assistant Secretary

Exhibit B  
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Money Market Investment Options

Money Market Fund Name -----	Portfolio Asset Mix -----
Federated Trust for U.S. Treasury Obligations	U.S. Treasury Direct Obligations
-----	-----
The Pierpont (JP Morgan) Money Market Fund	U.S. Government and agency obligations, commercial paper, bakers' acceptances, certificates of deposit, corporate bonds
-----	-----
Federated Short Term U.S. Government Securities	Off-shore money market fund for non-resident aliens of the U.S. investing in obligations of the U.S. Government and its agencies

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FIDELITY FEDERAL BANK,  
Seller

and

CITADEL REALTY, INC.,  
Purchaser

REAL ESTATE PURCHASE AGREEMENT  
Dated as of August 3, 1994

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Exhibit 1.01-B	Form of Bill of Sale
	Real Estate Purchase Agreement

REAL ESTATE PURCHASE AGREEMENT

THIS REAL ESTATE PURCHASE AGREEMENT (this "Agreement"), dated as of August 3, 1994, is executed by and between Fidelity Federal Bank, a Federal Savings Bank (the "Seller"), and Citadel Realty, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Seller owns certain REO Assets (as defined herein); and

WHEREAS, the Purchaser desires to purchase and the Seller desires to sell such REO Assets and related rights and assets;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Purchaser and the Seller agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms.

Whenever used in this Agreement, the following words and phrases shall have the following meaning specified in this Article and shall apply to the singular and plural forms:

"Agreement" means this Real Estate Purchase Agreement including the schedules and exhibits hereto and all amendments hereof and supplements hereto.

"Allocated Price" means, with respect to each REO Asset, the price set forth on the REO Property Schedule as allocated to such REO Asset.

"ALTA" means the American Land Title Association.

"Apportionment Amount" shall have the meaning set forth in Section 2.07.

"Assignment of Intangible Personal Property" means an Assignment of Intangible Personal Property substantially in the form of Exhibit 1.01-A hereto.

"Bill of Sale" means a Bill of Sale substantially in the form of Exhibit 1.01-B hereto.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking or savings and loan institutions in the State of California are authorized or obligated by law or executive order to be closed.

"Camelback" shall have the meaning set forth in the REO Property Schedule.

"Claims" shall have the meaning set forth in Section 4.01(viii).

"Closing" means the closing of the purchase and sale of the REO Assets hereunder, as provided in Section 2.01.

"Closing Date" shall have the meaning set forth in Section 2.01.

Real Estate Purchase Agreement

"Deeds" shall have the meaning set forth in Section 2.04.

"Deviation Amount" shall have the meaning set forth in Section 2.07.

"Due Diligence Materials" means the Investors' Review Files and all

other information with respect to the REO Properties made available by or on behalf of the Seller to or on behalf of the Purchaser.

"Engineering Structural Report" means a report prepared at the request

of the Seller reporting the results of an inspection of a REO Property in an area affected by the Northridge Earthquake, made by a structural engineer after the Northridge Earthquake.

"Escrow Agent" means the escrow agent appointed by the mutual

agreement of the Seller and the Purchaser to assist the Closing.

"Estimated Apportionment Amount" shall have the meaning set forth in

Section 2.07.

"Harbor City" shall have the meaning set forth in the REO Property

Schedule.

"Insured Loss" means any condemnation (or the initiation of

proceedings therefor) that is not a Material Loss and any casualty loss that is not a Material Loss and against which the Seller has valid insurance coverage.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as

amended from time to time, or any successor statute, and the regulations promulgated and the rulings issued thereunder.

"Investors' Review File" means, as to each REO Property, the

information contained in the files made available to the Purchaser's representatives at the Seller's offices located at 700 North Central Avenue, Glendale, California, together with all supplementary information made available to the Purchaser at the Seller's offices or directly to the Purchaser prior to the date of this Agreement, which consists of some or all of the following with respect to a particular REO Asset: (a) any physical inspection report concerning the related REO Property; (b) any Engineering Structural Report concerning the related REO Property; and (c) any title updates, current rent rolls, current operating statements, appraisals and similar materials prepared for presentation to investors.

"Material Loss" means a casualty loss with respect to an REO Property

of more than twenty-five percent (25%) of its Allocated Price, or a condemnation (or the initiation of proceedings therefor) of more than 25% of the Premises of an REO Property or that substantially impairs (or would impair) the ability to use the Premises of an REO Property for its intended purpose, whether or not the Seller has insurance against such casualty or condemnation, or any material casualty loss with respect to an REO Property against which the Seller does not have insurance.

"Northridge Earthquake" means the major seismic event of January 17,

1994, centered in the Northridge or Reseda area of Los Angeles, California, and all subsequent seismic events deemed to be aftershocks thereto and occurring prior to the Closing Date.

"Parthenia" shall have the meaning set forth in the REO Property

Schedule.

Real Estate Purchase Agreement

"Permitted Encumbrances" means (a) the lien of real estate taxes and

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assessments, ground rents and other obligations under ground leases, personal property taxes, water rates, water frontage charges and/or meter charges, sewer taxes or rents, and vault charges, in each case not yet due and payable or, if due and payable, which may be paid without interest or penalties, (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record of a type acceptable to lending institutions generally, (c) mechanics' or similar liens or claims for work, labor and materials relating to work performed by tenants on such REO Property (except any mechanic's liens or similar liens or claims relating to work performed by Seller or by tenants at the expense of Seller), (d) zoning and other land use restrictions and ordinances, including, without limitation, landmark, historic and wetland designations, (e) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the mortgage previously granted in connection with the REO Loan, (f) rights of tenants under leases or other rights of tenants or rights of other occupants of the Premises, and (g) any laundry or other equipment leases.

"Person" means any individual, corporation, partnership, joint

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venture, association, joint-stock company, trust, incorporated organization or government or political subdivision thereof.

"Premises" means, with respect to an REO Property, the buildings and

-----  
improvements on such REO Property.

"Purchase Price" shall be an amount equal to \$19,822,000.

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"Purchaser" shall have the meaning set forth in the preamble to this

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Agreement.

"Purchaser Loan Documents" means the Purchaser Notes, Purchaser

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Mortgages, environmental indemnity agreements and the other agreements and documents customarily required by the Seller in making similar loans secured by commercial or multi-family residential real property, as applicable, all in the form of the Seller's customary agreements and documents for such loans.

"Purchaser Mortgage" means a deed of trust or mortgage creating a lien

-----  
on an REO Property to secure a Purchaser Note, in the form of the Seller's customary deed of trust or mortgage for a similar loan secured by commercial or multi-family residential real property, as applicable.

"Purchaser Notes" means the promissory notes to be executed by the

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Purchaser in favor of the Seller to pay a portion of the Purchase Price, as follows: (i) a seven (7) year promissory note in the principal amount of \$4,450,000, bearing interest at an initial rate of 9.25% for twelve (12) months and thereafter at a variable rate based on the LIBOR plus 4.50%, amortized on a twenty-five (25) year schedule, and secured by a Purchaser Mortgage on Camelback; (ii) a ten (10) year promissory note in the principal amount of \$5,775,000, bearing interest at an initial rate of 7.25% for twelve (12) months and thereafter at a variable rate based on the One-year Treasury Constant Maturity rate plus 3.625%, amortized on a thirty (30) year schedule, and secured by a Purchaser Mortgage on Vesselich; and (iii) a ten (10) year promissory note in the principal amount of \$3,705,000, bearing interest at an initial rate of 7.25% for twelve (12) months and thereafter at a variable rate based on the One-year Treasury Constant Maturity rate plus 3.75%, amortized on a thirty (30) year schedule, and secured by a Purchaser Mortgage on Harbor City. All of the Promissory Notes shall be in the form of the Seller's customary promissory notes for similar loans secured by commercial or multi-family residential real property, as applicable.

Real Estate Purchase Agreement

"REO Assets" means all the Seller's right, title and interest in and  
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to the REO Properties and the REO Personal Property. REO Assets do not include  
rights to pursue deficiency judgments against any loan obligors from whom such  
REO Properties were acquired.

"REO Loan" means a mortgage loan previously held by the Seller  
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pursuant to which mortgaged property became REO Property.

"REO Personal Property" means the tangible and intangible personal  
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property located on, appurtenant to or used exclusively in connection with the  
management of, the REO Property on the Closing Date, if any. The Seller makes  
no representation or warranty concerning the existence of any such REO Personal  
Property.

"REO Property" means (i) the real property to which title has been  
-----  
acquired by the Seller by foreclosure, deed in lieu of foreclosure or similar  
means which is identified on the REO Property Schedule, and the related  
Premises. An REO Property includes all of the Seller's ownership and rights, if  
any, to land lying in the bed of any street or highway, opened or proposed,  
adjoining the relevant Premises to the center line thereof, and all fixtures,  
attachments, appliances, equipment, machinery and other articles, if any,  
attached or appurtenant to the relevant Premises on the date of this Agreement.

"REO Property Schedule" means the list of REO Properties subject to  
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this Agreement and identified on Schedule 1.01-A attached hereto, which schedule  
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sets forth the following information with respect to each REO Property as of the  
date of this Agreement:

(i) the identifying number of the related REO Loan;

(ii) the street address and unit number, if any, of the REO  
Property including state and zip code;

(iii) the type of real property constituting the REO  
Property; and

(iv) the portion of the Purchase Price allocated to the  
related REO Asset.

"Seller" shall have the meaning set forth in the preamble to this  
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Agreement.

"Vesselich" shall have the meaning set forth in the REO Property  
-----  
Schedule.

## ARTICLE II

### SALE AND CONVEYANCE OF REO ASSETS

#### Section 2.01 Purchase and Sale of REO Assets. -----

The Seller hereby agrees to sell, assign, transfer, set over and  
convey to the Purchaser, and the Purchaser hereby agrees to purchase, all of the  
Seller's right, title and interest in and to the REO Assets, without recourse to  
the Seller except as expressly set forth herein, on July \_\_, 1994, or such other  
date as is agreed between the Purchaser and the Seller (the "Closing Date").  
-----

The Purchaser hereby agrees to assume each and every obligation of the Seller  
(if any) arising on or after the Closing Date and relating to the REO Assets.  
On the Closing Date, the Seller shall also deliver to the Purchaser or to a  
custodian designated by the Purchaser all documents and instruments specified in  
Section 2.04. On the Closing Date, the Purchaser shall pay

Real Estate Purchase Agreement

to the Seller or its designee, in accordance with Section 2.02, the Purchase Price, plus or minus, as the case may be, the Estimated Apportionment Amount, and shall deliver to the Seller the documents and instruments specified in Section 2.04(b). The Seller and the Purchaser agree that no part of the Purchase Price is allocable to any REO Personal Property.

The Closing shall take place at the offices of the Seller or its attorneys at 9:00 AM (P.D.T.) on the Closing Date or, upon reasonable notice by the Seller to the Purchaser, at such other time or place on the Closing Date as may be designated by the Seller.

Section 2.02 Payment of Purchase Price  
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On the Closing Date, the Purchaser shall pay the Purchase Price to the Seller by paying \$5,892,000 in cash, by wire transfer in immediately available funds to the account specified by the Seller, or if no account is specified before two Business Days prior to such date, by bank certified check payable in next day funds; and by the execution and delivery to the Seller of the Purchaser Notes, the Purchaser Mortgages and the other Purchaser Loan Documents.

The Purchaser acknowledges that, in addition to the Purchase Price, the Purchaser shall pay to the Seller the loan fees set forth in the Purchaser Loan Documents incurred in connection with the credit facilities provided to the Purchaser pursuant to this Section.

Section 2.03 Servicing.  
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From the date of this Agreement up to and including the Closing Date, without the consent of the Purchaser, the Seller shall continue to service the REO Properties, to the extent practicable, using the same servicing procedures applicable to the REO Properties as the Seller used for its own account prior to the date of this Agreement as it would follow for its own account; provided, however, that Seller shall not negotiate or execute any commercial leases or commit to any capital expenditures on the REO Properties during this period without the prior written consent of the Purchaser.

Section 2.04 Closing Deliveries.  
-----

(a) The Seller shall, on the Closing Date, deliver and release to the Escrow Agent the following documents and items in respect of each REO Asset:

(i) Grant deeds or their equivalent (special warranty deeds) under the law of the State where the REO Property is located (the "Deeds"), duly executed and acknowledged by the Seller, in proper

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form for recording, conveying to the Purchaser good and marketable fee simple title to the REO Properties, subject only to Permitted Encumbrances and such other matters to which the Purchaser is required or agrees to be subject pursuant to this Agreement. For convenience, at the Seller's option, there may be omitted from the Deeds a listing of all Permitted Encumbrances and such other matters, but, nevertheless, such Permitted Encumbrances and other matters shall be incorporated therein by reference to this Agreement and shall survive the delivery thereof.

(ii) Copies of foreclosure deeds, certificates of foreclosure, deeds in lieu of foreclosure and related documents by which the Seller acquired its ownership rights to the REO Properties to the extent applicable and in the possession of, or reasonably available to, the Seller. In addition to the foregoing items to be delivered to the Purchaser by the Seller as a condition to Closing, the

parties hereby agree that the Purchaser may, at its own initiative and expense, make copies of such other readily accessible information in the possession of the Seller related to the REO Properties as the Purchasers may reasonably request.

(iii) Any assignments of leases in recordable form, assigning to the Purchaser all of the Seller's right, title and interest as landlord in and to leases of the REO Properties or portions thereof, if any, together with security deposits held by the Seller as shown on Schedule 2.04(a)(iii) attached hereto, and pursuant to which the Purchaser assumes all of the Seller's duties and obligations with respect thereto, together with such executed leases as the Seller has in its possession.

(iv) A Bill of Sale duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the tangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(v) An Assignment of Intangible Personal Property duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the intangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(vi) Keys and any other access devices for each REO Property to the extent available and in the possession of the Seller or instructions as to where such keys and other access devices are located.

(vii) Letters, to be prepared by the Purchaser, executed by the Seller or its management agent, if any, addressed to all tenants of REO Properties, notifying and directing payment of all rent and other sums due from tenants from and after the Closing Date to be made to the Purchaser or at its direction.

(viii) An affidavit stating that the Seller is not a "foreign person" pursuant to Section 1445(b)(2) of the Internal Revenue Code (and the Purchaser agrees that upon the execution and delivery of such to the Purchaser, no deduction shall be made or claimed against the Purchase Price by reason of the requirements of Section 1445 of the Internal Revenue Code).

(ix) An affidavit stating that Seller is exempt from the withholding provisions of California Revenue and Taxation Code Sections 18805 and/or 26131.

In addition, the Seller shall request that American Express Corporation, the largest tenant in Camelback, execute an estoppel certificate in the form provided by the Purchaser, but execution of such estoppel certificate shall not be a condition of Closing or in any way affect the rights of the Seller and the Purchaser under this Agreement.

(b) The Purchaser shall, on the Closing Date, deliver and release to the Seller or to a custodian designated by the Seller the following documents:

(i) The Purchaser Notes, duly executed by the Purchaser.

(ii) The Purchaser Mortgages, duly executed and acknowledged by the Purchaser, in proper form for recording, granting a first mortgage lien to the Seller, subject only to the Permitted Encumbrances and such other matters to which the Purchaser was required or agreed to be subject pursuant to this Agreement.

Real Estate Purchase Agreement



(iii) The other Purchaser Loan Documents, duly executed and, where required, acknowledged by the Purchaser.

(iv) Certificates of insurance, evidencing compliance by the Purchaser with the provisions of the Purchaser Mortgages requiring insurance coverage.

(v) An ALTA lender's policy of title insurance with Endorsement Nos. 100, 110.9, 116, 111.8, 103.1 (if applicable), 100.24 (if applicable), and such other endorsements as Seller may customarily require based on the preliminary title report and the nature of the property, at the Purchaser's expense. The parties acknowledge that the Escrow Agent will not be provided with ALTA surveys of the REO Properties.

Section 2.05 Recordation of Assignments and Deeds; Transfer Taxes.  
-----

(a) The Seller and the Purchaser shall affect the Closing for the REO Assets through an Escrow Agent, which Escrow Agent shall, among other things, prepare, record and deliver Deeds in accordance with the terms hereof and any supplementary escrow instructions mutually executed and delivered by the Seller and the Purchaser. The Seller and the Purchaser shall take such actions as the Seller may reasonably require in order to allow the Closing through the Escrow Agent, including without limitation the depositing of documents with the Escrow Agent. The costs and expenses of the Escrow Agent shall be borne by the Purchaser

(b) The Escrow Agent shall promptly upon the Closing record all Deeds and Purchaser Mortgages and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with the purchase of the REO Assets contemplated by this Agreement. All such transfer taxes, deed stamps, recording fees and other similar charges shall be paid through escrow by the Purchaser.

Section 2.06 Risk of Loss; Insurance.  
-----

(a) From and after the Closing Date the Purchaser assumes all risk of loss to the REO Properties and shall arrange for insurance coverage at its discretion.

(b) If after the date of this Agreement and prior to the Closing Date any REO Property or portion thereof suffers a Material Loss, then the related REO Asset will not be sold (and the related REO Property will not be deemed an REO Property hereunder) and the Purchase Price will be reduced by the corresponding Allocated Price.

(c) If after the date of this Agreement and prior to the Closing Date any REO Property or portion thereof suffers an Insured Loss, then the Purchaser shall purchase the related REO Asset and the Seller shall assign to the Purchaser the condemnation proceeds or the proceeds of the insurance covering the Insured Loss, as applicable.

(d) If a determination as to whether a Material Loss or an Insured Loss has occurred with respect to a REO Property cannot be made prior to the Closing Date, the Purchaser shall purchase the related REO Asset as if such REO Property had suffered an Insured Loss, provided, however, that if a  
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determination is made within sixty (60) days after the Closing Date that such REO Property suffered a Material Loss, then the Purchaser, at its option, may require the Seller to repurchase the related REO Asset at its Allocated Price by so notifying the Seller within ten (10) Business Days of such determination.

Real Estate Purchase Agreement

Section 2.07 Apportionments.

-----

(a) The following items received or paid by or on behalf of the Seller prior to the Closing Date shall be apportioned between the Seller and the Purchaser as of 11:59 p.m. on the day preceding the Closing Date:

(i) All payments, rents and other income or proceeds with respect to the related REO Property, on a cash basis, including without limitation, rents, month to month holdover charges, furniture rentals, corporate rentals and services, and laundry equipment rentals.

(ii) Real property taxes and assessments, and amounts prepaid or payable for any hazard insurance policy or other insurance policy being transferred to the Purchaser.

(iii) Utility charges, including water, sewer, electricity and gas, and maintenance charges, if any, for sewers. In conjunction with such apportionments, the Purchaser and the Seller shall notify, or cause to be notified, all utilities servicing the REO Properties of the change in ownership and direct that all future billings be made to the Purchaser at the address of the REO Property with no interruption of service and the Seller shall secure the release of any such utility deposits, provided that the Purchaser shall cooperate in the same without expense to the Purchaser. The Seller shall use its best efforts to procure final meter readings for all utilities as of the Closing Date and to have such bills rendered directly to the Seller. To the extent that tenants are responsible for and receive all such statements, no such notifications shall be required.

(iv) Fees and charges under any management, service, supply, security, maintenance or other similar contracts, and common charges.

(v) Other operating expenses for the REO Properties, including without limitation prepaid expenses and accounts payable with respect to such expenses.

(b) The actual net amount of the apportionments described in Section 2.07(a) shall be the "Apportionment Amount." For purposes of the

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Closing Date the Seller shall calculate an estimate of the Apportionment Amount (the "Estimated Apportionment Amount"), on the basis of the actual amounts of

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any items apportioned if known by the Seller as of the Closing Date, or the Seller's good faith estimation of such amounts, if not so known. The Seller or the Purchaser, as applicable, shall pay to the other party the Estimated Apportionment Amount in accordance with Section 2.01. The Seller shall deliver a reconciliation report to the Purchaser within sixty (60) days after the Closing Date which shall set forth the actual deviations from any such good faith estimations and the overall deviation between the Apportionment Amount and the Estimated Apportionment Amount (the "Deviation Amount"). The party which

-----

received the benefit of the Deviation Amount shall pay such amount to the other party hereto by wire transfer of immediately available funds to the account specified by the Seller or the Purchaser, as the case may be, within ten (10) Business Days after the Seller delivers such reconciliation report to the Purchaser, or if no account is specified before two Business Days prior to such date, by bank certified check payable in next day funds.

Real Estate Purchase Agreements

(c) Notwithstanding anything to the contrary contained in the foregoing, with respect to Parthenia the Seller shall complete and shall pay for all fees and expenses associated with the earthquake repairs and related improvements currently in process as described in the construction and engineering contracts attached hereto as Schedule 2.07(c), regardless of whether such payments become due before or after the Closing Date.

2.08 Payment of Expenses.  
-----

After the date of this Agreement, the Seller shall continue to pay any expenses of the kind described in Section 2.07 which become due and payable in the ordinary course of business and include such expenses in the apportionment under Section 2.07. The Seller shall not pay any such expenses becoming due and payable on or after the Closing Date.

Section 2.09 Legal Proceedings.  
-----

(a) With respect to any REO Property that is, as of the Closing Date, the subject of litigation or other legal proceeding (including, without limitation, a bankruptcy, eviction, foreclosure or receivership proceeding), the Purchaser agrees that it shall, at its own cost, within thirty (30) days after the Closing Date, (i) notify the Clerk of the Court, all parties who have appeared, all counsel of record and any other Person required by law to be notified, in each such proceeding, of the transfer of the REO Property from the Seller to the Purchaser, (ii) file pleadings to relieve the Seller's counsel of record from further responsibility in such litigation or other legal proceeding (unless said counsel has agreed, with the Seller's written consent, to represent the Purchaser in said proceedings at the Purchaser's expense), and (iii) remove the Seller as a party in such action and substitute the Purchaser as the real party-in-interest, and change the caption thereof accordingly. In connection therewith, after the Closing Date, the Purchaser shall have the sole responsibility to obtain all documents pertaining to the REO Property then in the possession of any such counsel and to determine the appropriate direction and strategy for such litigation or other legal proceeding. The Seller agrees to cooperate and use reasonable efforts to assist the Purchaser in obtaining the release of such documents to the Purchaser. The Purchaser acknowledges that its failure to comply with the provisions of this Section 2.09 may affect the Purchaser's rights in any such litigation or other legal proceeding (and may result, without limitation, in dismissal with prejudice or the running of any statute of limitations). If the Purchaser fails to comply with the above requirements (i) through (iii), the Seller may, but is not obligated to, take such actions as it deems necessary to effectuate the provisions of this Section 2.09. Notwithstanding the foregoing, this Section 2.09 shall not apply to any litigation in which the Seller is named a party defendant.

(b) Any costs and legal fees incurred by the Seller in connection with such litigation or other legal proceeding from and after the date of this Agreement, including without limitation any fees and costs incurred by the Seller in connection with the Purchaser's failure to comply with the above requirements, shall be reimbursed by the Purchaser and the Purchaser hereby indemnifies the Seller therefor. If, after the Closing Date, either party receives an invoice for any legal fees and costs incurred in connection with such litigation or other legal proceeding that are payable by the other party, then the party receiving such invoice shall promptly forward such invoice to the other party and such other party shall pay directly or, in the event the party receiving such invoice has paid the amounts due thereon, reimburse the party receiving the invoice promptly, but not later than ten (10) Business Days following receipt of such invoice.

(c) If the Purchaser shall receive any pleadings relating to any REO Property that name the Seller as a party, then immediately following receipt of any such pleadings the Purchaser shall notify the Seller thereof and promptly deliver copies of such pleadings to the Seller and otherwise comply with the provisions of this Section 2.09.

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Section 2.10 Continuing Cooperation; Subsequent Documentation.  
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At any time, and from time to time after the Closing Date, upon the reasonable request of either party hereto, and at the expense of such party, the other party shall do, execute, acknowledge and deliver, and shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required in order to accomplish any provision herein, including without limitation the assignment of any financing statements, guarantees and the like. In addition, in the event that the Seller determines subsequent to the Closing Date that it needs access to any documents relating to an REO Property for accounting, tax, litigation or other purposes, the Purchaser shall promptly provide copies of such documents to the Seller, to the extent in the Purchaser's possession, and at the Seller's expense.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Section 3.01 General Representations and Warranties of the Seller.  
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The Seller represents and warrants to the Purchaser that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Seller is a federal savings bank,  
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duly chartered, validly existing and in good standing under the federal laws of the United States.

(ii) Authorization; Binding Obligation. The Seller has the  
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corporate power and authority to hold each REO Asset, to sell each REO Asset, to execute, deliver and perform this Agreement, and to enter into and consummate all transactions contemplated by this Agreement. The Seller has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(iii) No Conflict. The consummation of the transactions  
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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement.

(iv) No Litigation. Except for unlawful detainer actions and  
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actions under the United States Bankruptcy Code against a tenant of an REO Property, and

Real Estate Purchase Agreement

except as set forth in Schedule 3.01(iv) hereto, there is no action, suit proceeding or investigation pending or, to the Seller's knowledge, threatened against the Seller or relating to any REO Asset, which challenges, relates to, or adversely affects the right, title or interest of the Seller in or to such REO Asset or, if determined adversely to the Seller, would prevent the consummation of the sale of such REO Asset to the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization

or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date.

(vi) Foreign Person. The Seller is not a foreign person

within the meaning of Section 1445(f) of the Internal Revenue Code, and the Seller agrees to execute any and all documents necessary or required by the Internal Revenue Service in connection with such declaration.

(vii) No Delinquencies. To the best knowledge of the Seller,

except as disclosed in the Due Diligence Materials, there are no delinquent taxes, ground rents, water charges, sewer rents, assessments or other similar delinquent charges adversely affecting any REO Property that gives rise to a lien thereon.

(viii) Condemnation. To the best of the Seller's knowledge,

there is no proceeding pending or threatened for the total or partial condemnation of any REO Property so as to adversely affect the value of the REO Property or the use for which the Premises were intended.

Section 3.02 Representations and Warranties as to the REO Properties.

The Seller hereby represents and warrants to the Purchaser that as of the Closing Date:

(i) True Information. The information set forth on the REO

Property Schedule is true and correct in all material respects.

(ii) Ownership and Title. With respect to each REO Property,

the Seller has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances.

(iii) No Delinquencies. To the best knowledge of the Seller,

except as disclosed in the Due Diligence Materials, there are no delinquent taxes, ground rents, water charges, sewer rents, assessments or other similar delinquent charges adversely affecting any REO Property that gives rise to a lien thereon.

(iv) Condemnation. To the best of the Seller's knowledge, there

is no proceeding pending or threatened for the total or partial condemnation of any REO Property so as to adversely affect the value of the REO Property or the use for which the Premises were intended.

Real Estate Purchase Agreement

(v) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related REO Property. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND

COVENANTS OF THE PURCHASER

Section 4.01 Representations and Warranties of the Purchaser  
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The Purchaser represents and warrants to the Seller that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Purchaser has been duly organized  
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and is validly existing and in good standing as a corporation under the laws of the State of Delaware.

(ii) Authorization; Binding Obligation. The Purchaser has the  
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corporate power and authority to execute, deliver and perform this Agreement and to enter into and consummate all the transactions contemplated by this Agreement. The Purchaser has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding inequity or at law).

(iii) No Conflict. The consummation of the transactions  
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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

(iv) No Litigation. There is no action, suit proceeding or  
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investigation pending or, to the Purchaser's knowledge, threatened against the Purchaser, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the REO Assets by the Purchaser as contemplated hereby.

Real Estate Purchase Agreement

(v) No Consent Required. No consent, approval, authorization

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or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date.

(vi) Decision to Purchase. The Purchaser is a sophisticated

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investor and its bid and decision to purchase the REO Assets are based upon its own independent evaluations of the Due Diligence Materials and other materials deemed relevant by the Purchaser and its agents. The Purchaser has had an opportunity to examine the Properties and hereby accepts the physical condition and state of repair thereof. The Purchaser hereby expressly acknowledges that it is fully aware of the physical condition and state of repair of the Properties and has inspected the Properties to the extent it has deemed necessary and agrees to purchase the REO Assets taking into account the related Properties in their "as is" condition "with all faults" as of the Closing Date, except to the extent that the Seller has expressly made a representation or warranty in this Agreement. The Purchaser is entering into this Agreement based solely upon such evaluations and inspections, and has not relied upon any oral or written information or any representations or warranties whatsoever from the Seller or any of its respective employees, affiliates, agents or representatives, other than the representations and warranties of the Seller expressly contained herein. WITHOUT LIMITATION OF THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES EXCEPT AS EXPRESSLY CONTAINED IN THIS AGREEMENT, AS TO THE REO PROPERTIES (INCLUDING, WITHOUT LIMITATION, THE VALUE, MARKETABILITY, CONDITION OR FUTURE PERFORMANCE THEREOF, THE EXISTENCE OF ANY LEASES OR THE STATUS OF ANY TENANCIES OR OCCUPANCIES WITH RESPECT THERETO, THE APPLICABILITY OF ANY RENT CONTROL OR RENT STABILIZATION LAWS, OR THE COMPLIANCE OR LACK OF COMPLIANCE THEREOF WITH ANY LAWS, INCLUDING WITHOUT LIMITATION ENVIRONMENTAL AND LAND USE OR OCCUPANCY LAWS) OR OTHERWISE, AND THAT NO EMPLOYEE OR REPRESENTATIVE OF THE SELLER HAS BEEN AUTHORIZED TO MAKE ANY STATEMENTS OR REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT.

(vii) Environmental Risks. The Purchaser acknowledges and

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agrees that there may be certain environmental issues and/or risks with respect to an REO Property (including the Premises) which may or may not be visible or apparent and which may or may not be above or below the surface thereof. Any materials relating to environmental conditions which may be in the Investors' Review File or is otherwise provided or made available by the Seller, is provided with no representations whatsoever as to the accuracy, completeness or timeliness of any information contained in such report or materials, or the expertise with which they were prepared. The Purchaser acknowledges that the Seller has not prepared or warranted such information, and that the Seller shall have no liability whatsoever in connection with such report or materials.

(viii) Purchaser's Intent. Purchaser is acquiring the REO

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Properties with the objective of prudent divestiture of the REO Properties, not with a view to operation of the REO Properties on a long-term basis. During the time that

Real Estate Purchase Agreement

Purchaser is an "affiliate" of Seller, as defined in regulations of the Office of Thrift Supervision, and the Purchaser Notes are held by the Seller, Seller shall be engaged only in activities described in Section 1467a(c)(2)(F)(i) of the Home Owners' Loan Act.

(ix) Purchaser's Release of Seller. The Purchaser, for

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itself, its successors and its assigns, hereby releases and discharges the Seller and its officers, directors, employees, successors and assigns from and against any and all claims, demands, liabilities, obligations, damages, actions, causes of action, judgments, liens, bonding requirements, losses, expenses, fines, charges, penalties, administrative and judicial proceedings and orders, and enforcement actions of every kind, including attorneys' fees and court costs ("Claims"), known or unknown, present or future, fixed or contingent,  
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against the Seller at any time by reason of or arising out of the violation of the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws by any Person, or the presence of hazardous materials on any REO Property.

The Purchaser, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released in this Section 4.01(viii) are not limited to matters that are known or disclosed, and the Purchaser hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the Civil Code of the State of California (or any other statute or common law principles of similar effect), which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

In this connection, the Purchaser hereby agrees, represents, and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims that are presently unknown, unanticipated, and unsuspected, and it further agrees, represents, and warrants that this release has been negotiated and agreed upon in light of that realization and it nevertheless hereby intends to release, discharge, and acquit the Seller and its officers, directors, employees, successors and assigns from any such unknown Claims described in the first paragraph of this Section 4.01(viii).

ARTICLE V

CONDITIONS PRECEDENT

Section 5.01 Conditions Precedent To Be Performed by the Seller.  
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As a condition to the obligations of the Purchaser to purchase the REO Assets, the Seller shall deliver or cause to be delivered to the Purchaser on or before the Closing Date the following documents:

(i) the documents described in Section 2.04;

Real Estate Purchase Agreement



(ii) an officer's certificate of the Seller, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Seller authorizing its sale of the REO Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Seller, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Seller on the Closing Date; and

(iii) an opinion of counsel (which may be internal counsel) to the Seller, dated as of the Closing Date, to the effect that: (a) the Seller is a federal savings bank, duly chartered, validly existing and in good standing under the federal laws of the United States; (b) this Agreement has been duly authorized, executed and delivered on the part of the Seller and, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement; (d) except as described on a schedule to the Agreement, there is no action, suit, proceeding or investigation pending or threatened against the Seller or relating to any REO Asset and known to such counsel, which, if determined adversely to the Seller, would prevent the consummation of the sale of the REO Assets to the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date.

Section 5.02 Conditions Precedent To Be Performed by the Purchaser.

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As a condition to the obligations of the Seller to sell the REO Assets, the Purchaser shall deliver or cause to be delivered to the Seller on or before the Closing Date the following documents:

(i) an officer's certificate of the Purchaser, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Purchaser authorizing its purchase of the REO Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Purchaser, and (c) the continued accuracy in all material respects of the representations and warranties contained in

this Agreement as if such representations and warranties were made by the Purchaser on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Purchaser, dated as of the Closing Date, to the effect that: (a) the Purchaser is corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) this Agreement and each of the Purchaser Loan Documents has been duly authorized, executed and delivered on the part of the Purchaser and, assuming due authorization, execution and delivery by the Seller, each constitutes a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transaction contemplated by this Agreement and the Purchaser Loan documents will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement; (d) there is no action, suit, proceeding or investigation pending or threatened against the Purchaser and known to such counsel, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the REO Assets by the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement or the Purchaser Loan Documents by the Purchaser or for the performance by the Purchaser of its obligations under this Agreement and the Purchaser Loan Documents or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01 Governing Law; Jurisdiction; Consent to Service of  
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Process.  
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This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, United States of America. Each of the parties hereto hereby irrevocably (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the federal courts of the United States of America for the Central District of California for the purpose of any action or proceeding relating to this Agreement; (ii) waives, to the fullest extent permitted by law, the defense of an inconvenient forum in any action or proceeding in any such court; (iii) agrees that a final judgment in any action or proceeding in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and (iv) consents to service of process upon it by mailing a copy thereof by certified mail addressed to it as provided for notices hereunder.

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Section 6.02 Hart-Scott-Rodino.  
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The Purchaser and the Seller agree to cooperate in connection with the preparation, signing and filing of any documents which counsel to the Purchaser or the Seller advises are necessary under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and each acknowledge and agree that the Closing Date shall be postponed, to the extent necessary, to comply with the requirements of such Act, if applicable to the transactions contemplated herein.

Section 6.03 Confidentiality.  
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Neither party to this Agreement (or employee or agent under its control) shall without the prior written consent of the other disclose to any third party any information regarding this Agreement or the transactions contemplated herein, except to the extent that such disclosure is (i) required to effect the transactions contemplated herein, (ii) made to an affiliate of the Purchaser, (iii) required by law or regulation, (iv) necessary to permit the audit of the accounts of a party hereto, (v) made to notify a third party of the ownership of the REO Asset by the Purchaser, without disclosing other terms of this Agreement, or (vi) made in order to initiate, defend or otherwise pursue legal proceedings between the parties regarding this Agreement or the transactions contemplated hereby. This Agreement shall not, and no memorandum or other document relating to this Agreement shall, be recorded without the prior written consent of the Seller.

Section 6.04 Broker's Fees.  
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In the event that any REO Property is subject to a listing agreement between the Seller and a broker, the Seller shall be solely responsible for the payment of any fee, commission or other compensation payable pursuant to any such listing agreements based upon a sale of such REO Property to the Purchaser.

Section 6.05 Notices.  
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Any notices or other communications permitted or required hereunder shall be in writing and shall be personally delivered or mailed by certified mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile and confirmed by a similar mailed writing, to the following addresses, or such other address as may hereafter be furnished in writing:

- (i) in the case of the Seller,

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: Thomas W. Carter  
Executive Vice President,  
Chief Credit Officer

Facsimile: (818) 549-3002

with a copy to:

Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard

Real Estate Purchase Agreement

Glendale, California 91209  
Attention: Frederick I. Fox, Esq.

Facsimile: (818) 549-3773

(ii) in the case of the Purchaser,

Citadel Realty, Inc.  
600 N. Brand Boulevard  
Glendale, California 91209  
Attention: Steve Wesson

with a copy to:

Pacific Theatres  
120 N. Robertson Boulevard  
Los Angeles, California 90048  
Attention: Ira Levin, Esq.

Notices shall be effective on receipt.

Section 6.06 Severability of Provisions.  
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If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 6.07 Schedules and Exhibits.  
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The schedules and exhibits to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

Section 6.08 Waivers and Amendments.  
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This Agreement may be amended, supplemented, canceled or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 6.09 No Third Party Rights.  
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This Agreement is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than the parties hereto.

Real Estate Purchase Agreement

Section 6.10 Successors and Assigns.  
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This Agreement shall be binding upon and inure to the benefit of the Purchaser and the Seller and their respective successors and assigns; provided, however, that (i) notwithstanding any assignment by the Purchaser or the Seller, such party shall remain liable for its obligations hereunder, and (ii) the Purchaser shall not assign its rights under this Agreement prior to the Closing Date without the prior written consent of the Seller, in its sole discretion.

Section 6.11 Captions.  
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All section titles or captions contained in this Agreement or in the schedules and exhibits annexed hereto or referred to herein, and the table of contents to this Agreement, are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Section 6.12 Counterparts.  
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This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 6.13 Entire Agreement.  
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This Agreement (including the schedules and exhibits annexed hereto or referred to herein and the agreements executed and delivered pursuant to the terms hereof) contains the entire agreement between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements, written or oral, with respect thereto.

Section 6.14 No Merger.  
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Unless otherwise expressly provided herein, the representations, warranties, covenants and agreements shall survive the Closing, the sale of REO Assets contemplated hereby and the delivery of any deeds or other documents in connection herewith.

Real Estate Purchase Agreement

IN WITNESS WHEREOF, the Seller and the Purchaser have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

FIDELITY FEDERAL BANK, F.S.B.

By: /s/ Thomas W. Carter

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Name: Thomas W. Carter  
Title: Executive Vice President  
Chief Credit Officer

CITADEL REALTY, INC.

By: /s/ Steve Wesson

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Name: Steve Wesson  
Title: President and Secretary

Real Estate Purchase Agreement

Schedule 1.01-A  
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REO Property Schedule

REO Property -----	Loan No. -----	Property Type -----	Allocated Price -----
Camelback Arboleda Office Complex ("Camelback") 1661 Camelback Rd. Phoenix, AZ		Commercial	\$5,934,000
Los Feliz Village Apartments ("Vesselich") 3939 Vesselich Ave. Los Angeles, CA 90039	3027749	Multi-family residential	\$7,731,000
Summer Glen Apartments ("Harbor City") 23200 S. Western Ave. Harbor City, CA 90710	3027756	Multi-family residential	\$4,940,000
La Plaza ("Parthenia") 21028 Parthenia Street Canoga Park, CA	N/A	Multi-family Residential	\$1,217,000

Real Estate Purchase Agreement

Schedule 2.07(c)  
-----  
CONSTRUCTION CONTRACT  
(Short Form)

This CONSTRUCTION CONTRACT, entered into as of the date set forth opposite the signatures below, by and between

Fidelity Federal Bank  
("Owner"), with address of  
4565 Colorado Boulevard  
Glendale, California 91209

and

Powell Construction Consultants  
("Contractor"), with address of  
3808 Rosecrans, Suite 479  
San Diego, California 92110

is for the purpose of engaging contractor to perform, or cause to be performed, the work described below for the compensation herein provided, all upon the terms and conditions set forth below.

ARTICLE 1

Work; Compensation and Payment

1.1 Contractor shall contract or perform at 21028 Parthenia Street, Canoga Park, California ("the property"), the following work:

Item 1

1. Contractor to remove stucco from front and rear building - first floor elevations only.
2. Contractor to inspect and install any hold-downs and/or connectors required in these areas.
3. Contractor to supply and install 3/8" 4x8 structural 1 grade plywood in these areas.
4. Contractor to sheer nail all structural plywood; nailing schedule to be determined by owner.

Item 2

1. Contractor to repair glass block window areas to match existing.

Item 3

1. Contractor to cut down and remove all stucco parapet walls in excess of 2 feet from roof deck.
2. Contractor to remove front elevation parapet wall to a height to match existing offset on front elevation parapet.
3. Contractor to finish all parapets with metal coping to match existing.
4. Contractor to use existing metal bracing on all parapets, cutting down as required; no new roof penetrations to be allowed.



Item 4

1. Contractor to completely remove all stucco balcony railings from courtyard area.
2. Contractor to supply and install metal pipe railing to match existing in all balcony areas of removal.
3. Contractor to coat all pipes with rust-retardant primer.
4. Contractor to enamel coat all pipe railings to match existing.

Item 5

1. Contractor to patch existing decking and re-coat to match existing as required.

Item 6

1. Contractor to re-stucco all repaired areas to match existing in color and texture.
2. Contractor to stucco patch entire building exterior to match existing.

Item 7

1. Contractor to remove and haul all temporary shoring from balcony areas.

Such work shall be performed in a good, workmanlike manner and will be commenced on June 1, 1994 and will be completed on or before July 8, 1994.

1.2 Contractor shall be paid, by Owner, the total sum of (not to exceed) \$48,259.00, including all taxes, for the work under this Contract. Payment shall be made as follows: Progressive payments, final payment upon completion. All change orders or extras must be approved, in writing, by the Building Projects Department prior to commencing with any additions to the contract. No unauthorized extras will be paid.

1.2.1 Each payment will be for 90% of the amount thereof, the balance (the remaining 10%) will be paid 35 days after completion and acceptance of the work by Owner. No payment will be made for any work yet to be performed. Contractor will submit invoices and lien releases sufficient to substantiate each request. Invoices must be original versions; facsimiles are not acceptable.

1.3 Owner's agent for inspection of the Work shall be J. Curt Freeman or authorized representative.

1.4 Contractor shall submit request for payment to Fidelity Federal Bank, 4565 Colorado Boulevard, Glendale California 91209, Attention: Elizabeth Odriozola. Contractor shall be paid within 15 business days after Owner's receipt of request for payment.

## ARTICLE 2

### Insurance; Indemnity

2.1 Contractor shall maintain, at all times while obligated to perform hereunder, a policy of combined single limit insurance coverage with bodily injury (including death of any person) and property damage of at least \$500,000. Owner shall be named as an additional insured, and an endorsement to such effect shall be delivered to Owner prior to start of the work hereunder.

2.2 Contractor hereby indemnifies and holds Owner and the Property free of, and harmless from, and shall defend against, any and all actions, liabilities, claims, and expenses (including attorneys' fees) for any injury or damage to person or property arising from Contractor's performance or acts hereunder.

2.3 Contractor hereby indemnifies and holds Owner, the Property, and the work hereunder, free of, and harmless from, and shall defend against, any and all claims, actions, liabilities, liens and stop notices, and expenses (including attorney's fees) which result from services or material rendered to the Property at the request or order of Contractor.

ARTICLE 3  
Substitution Form W-9

3.1 A Request for Taxpayer Identification Number-Substitution Form W-9 is a requirement as part of the execution of the contract. This form is required to process payments made by Fidelity Federal Bank.

ARTICLE 4  
Working Conditions

4.1 Contractor shall perform hereunder in good and workmanlike manner, and to the satisfaction of the owner, and in connection therewith shall comply with all laws, ordinances, and directions of governmental agencies having jurisdiction over the Property and the work hereunder.

4.2 Contractor shall use due diligence in performing under this Contract so as to protect the Property (and all improvements therein), adjoining property and all persons and property at or near the performance area of Contractor. Contractor shall promptly, and at his expense, repair, replace or otherwise restore property and improvements damaged by its employees, equipment, subcontractors, suppliers, and the like.

4.3 Until the work of Contractor hereunder is accepted by Owner, Contractor shall bear the risk of injury or damage thereto. Contractor shall remove all work not accepted by Owner or an inspecting agency which is not in conformity with this Contract, and promptly replace or re-perform its own work in accordance with this Contract; such action shall be at the expense of Contractor.

ARTICLE 5  
Warranty

5.1 Contractor hereby represents and warrants to Owner that (i) the equipment and material incorporated into the work hereunder is in conformity with the requirements of this Contract and (ii) all labor and services under this Contract have been performed in a good workmanlike manner. The aforesaid representations and warranties shall expire one (1) year after acceptance by Owner of Contractor's work hereunder.

ARTICLE 6  
Default

6.1 Each of the following shall constitute a "default" by Contractor hereunder:

6.1.1 Failure of Contractor to (i) make prompt payment for labor and materials required for performance hereunder, (ii) supply enough workmen or materials to timely perform hereunder, or (iii) comply with this Contract generally or any law, ordinance or the like applicable to this Contract or the work hereunder.

6.1.2 Any (i) attachment, execution or other judicial levy upon the assets of Contractor, (ii) assignment of the benefits of this Contract for the direct or indirect benefit of creditors of Contractor, (iii) any agreement whereby Contractor loses control of its business to a committee of its creditors, (iv) judicial appointment of a receiver, trustee, or similar officer to take possession of the business or assets of Contractor, or (v) filing of any petition by or against Contractor under any chapter of the Federal Bankruptcy laws or the commencement of a case or proceeding under such laws.

6.2 If any default occurs, and without prejudice to any other remedy Owner may have, Owner may terminate Contractor's performance hereunder upon 24 hours prior written notice. Thereupon, Owner may take such action deemed necessary to effect completion of the Contract Work. Contractor shall pay to Owner all of the costs incurred by Owner to effect such completion in excess of the balance of this Contract.

ARTICLE 7  
Special Provisions

7.1 If the within Contract is to be construed and enforced in the State of California, the following provision shall be applicable:

7.1.1 CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND REGULATED BY THE CONTRACTOR'S STATE LICENSE BOARD. ANY QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR OF THE BOARD WHOSE ADDRESS IS: CONTRACTOR'S LICENSE BOARD, 1020 "N" STREET, SACRAMENTO, CALIFORNIA 95814.

ARTICLE 8  
General Provisions

8.1 If at any time, any controversy should arise between Owner and Contractor regarding anything pertaining to this Contract, and which the parties hereto do not promptly adjust and determine, then the written orders from Owner to Contractor shall be followed.

8.2 The waiver by Owner of any default of the terms of this Contract shall not be deemed a waiver of any subsequent default. The remedies and rights of Owner, in the event of any default hereof by Contractor, are cumulative.

8.3 Nothing contained in this Contract shall be deemed or construed to create the relationship of principal and agent or joint venture as between Owner and Contractor, it being agreed and understood that the only relationship between the parties is that of independent contractor.

8.4 Whenever the context so requires, the masculine gender includes the feminine and the neuter as the case may require and vice versa, and the singular number includes the plural.

8.5 Notices, demands, and requests required or desired to be given hereunder shall be in writing and delivered either personally or by deposit into the U.S. Mail, postage prepaid, certified or registered mail, return receipt requested, or by recognized overnight air courier addressed to the party at its address at the beginning hereof.

8.6 Contractor shall not assign this Contract, or any rights, benefits, or monies due or to become due to Contractor hereunder. Nothing herein shall preclude or prohibit Owner from assigning or transferring the whole or any part of this Contract.

8.7 If either party commences litigation against the other for (i) the specific performance of this Contract, (ii) damages for the breach hereof, or (iii) the enforcement of any remedy hereunder, the prevailing party shall be entitled to recover from the other party such court costs, reasonable attorneys' fees and other costs, if any, incurred thereby.

8.8 The Article headings of this Contract are for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

8.9 This Contract supersedes all prior negotiations, proposals and understandings, if any, of the parties hereto, and constitutes the entire understanding of the parties with reference to the work to be performed under this Contract. This Contract shall not be modified except by a writing signed by all of the parties.

8.10 Contractor shall give all notices and comply with all laws, ordinances, rules and regulations bearing on the conduct of the work as planned and specified by this Contract.

8.11 This Contract and all of the representations, warranties and conditions herein contained shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, assigns or other successors in interest (to the extent permitted hereunder) of each of the parties hereto.

8.12 This Contract shall be construed and enforced in accordance with the laws of the State where the Property is located and work is to be performed.

IN WITNESS WHEREOF, this Contract has been executed as of the date set forth below.

OWNER:

By:     ^^^  
-----

Title: Vice President  
-----

CONTRACTOR:

By:                     ^^^  
-----

Title: Owner  
-----

Dated: 5/24/94  
-----

Contract #1  
Change Order #929-1/1

CHANGE AGREEMENT  
BETWEEN

FIDELITY FEDERAL BANK  
4565 COLORADO BOULEVARD  
P.O. BOX 1631  
GLENDALE, CALIFORNIA 91209

and

Powell Construction Co.  
3808 Rosecrans  
San Diego, Ca 92110

Date: 6/30/94

PROPERTY ADDRESS:  
21028 Parthenia St.  
Canoga Park, California

REO #: 929

Approval is requested of the following changes from the original contract:

CONTRACTOR TO: Supply and install all additional sheer paneling, metal straps, and holdowns required by the City of Los Angeles and Engineering Design Group, including second and third floors.

TOTAL AMOUNTS: \$35,108

Signed:

Approved: FIDELITY FEDERAL BANK

CONTRACTOR

BY

[LETTERHEAD OF NORTH COUNTY ENGINEERING DESIGN GROUP]

Date: May 12, 1994

To: Mr. Warren Pyrtle  
FIDELITY FEDERAL BANK  
700 North Central, 5th Floor  
Glendale, CA 91203

Re: Condominium Complex Located at 21028 Parthenia, Canoga Park, CA.

Subject: Proposal for Engineering Services.

Reference: "Phase I Geotechnical\Structural Reconnaissance of Property, prepared by The Engineering Design Group, Job No: 94617-3, and dated April 18, 1994".

INTRODUCTION

-----

Per the recommendations noted in above reference, we are submitting this proposal to provide engineering services consisting of structural analysis & mitigative design upgrade of the earthquake damage to the referenced property. This proposal is based on our Field visit on 04/15/94 and associated structural evaluation of the existing complex condition.

SCOPE OF SERVICES

-----

Our proposed scope of services will consist of providing field evaluation, structural calculations, and restoration construction documents (blueprints) as follows:

- . Structural investigation of existing field conditions and data collection for limited restoration document preparation.
- . Limited Restoration Structural Calculations.
- . Structural restoration documents required for:
  - . Interior Balconies
  - . Parapet walls
  - . Street level shear wall systems (north & west elevations)
  - . Miscellaneous Structural Details
- . Structural Specifications

SCHEDULING

- - - - -

We agree to complete all documents ready for submittal (15) working days after commencing work. We will commence work within (1) working day, subsequent to our receipt of one signed copy of this proposal, the attached "Work Authorization and Agreement," and retainer of two thousand dollars (\$2,000.00).

FEES

- - - - -

Our fee to conduct the above-described services for the referenced project will be a fixed fee amount of six thousand one hundred twenty five dollars (\$5,925.00) and is divided as follows:

. Structural Field Investigation	\$1,000.00
. Structural Calculations	\$3,425.00
. Restoration Plan Preparation	\$1,500.00
=====	
Total	\$5,925.00

Please note that permit & plan submittal fees are not included in our fees.

The fee will be billed as follows:

- . A (\$2,000.00) retainer to be paid with the authorization to proceed.
- . Final payment of remaining balance upon completion of package.

FIELD QUALITY CONTROL/PLAN SUBMITTAL

- - - - -

Field quality control and plans submittal will be provided on time & material basis at the rate of \$75.00/Hr and \$45.00/Hr respectively.

By signing this proposal and the attached "Work Authorization and Agreement," you agree to the terms stated herein this agreement.

Very truly yours,

NORTH COUNTY ENGINEERING DESIGN GROUP      Authorization to Proceed

/s/ Steven Norris	^^^^^
- - - - -	- - - - -
Steven Norris	
RCE # 47672	

Attachment: Work Authorization and Agreement

WORK AUTHORIZATION AND AGREEMENT  
--ENGINEERING SERVICES--

Please Sign and Return One Copy to:

NORTH COUNTY ENGINEERING DESIGN GROUP  
475 Carmel Street  
San Marcos, CA 92069

1. PROJECT NAME: CONDOMINIUM PROJECT
2. PROJECT ADDRESS: 21028 Parthenia, Canoga Park, CA.
3. PROJECT DESCRIPTION: MULTI-UNIT (EARTHQUAKE DAMAGE)
4. CLIENT NAME: FIDELITY FEDERAL BANK
5. CLIENT ADDRESS: P.O. Box 1631, Glendale, CA 91209-1631
6. AUTHORIZED AGENT: Warren Pyrtle PHONE: 1-818-551-7426
7. SCOPE OF WORK: (SEE PROPOSAL DATED May 3, 1994)
8. FEE: \$5,925.00 (FIXED FEE)
9. PORTION OF FEE DUE IN ADVANCE OF WORK (RETAINER): \$2,000.00
10. REPORT DISTRIBUTION: CLIENT: 3 STAMPED COPIES                      OTHER:
11. BILLING ADDRESS: P.O. Box 1631, Glendale, CA 91209-1631
12. CONDITIONS OF AGREEMENT:

This document constitutes an agreement between FIDELITY FEDERAL BANK, hereafter referred to as the Client, and THE NORTH COUNTY ENGINEERING DESIGN GROUP, hereafter referred to as the Consultant, and authorizes the Consultant to perform the scope of work described above and in the attached proposal dated February 8, 1994. The terms and conditions stated on the reverse side of this document and the attached proposal are by reference made part of this agreement.

--SEE REVERSE SIDE--



SCHEDULE 2.04(a)(iii)

Estimated Apportionment -- Investor Portion  
 Citadel Realty  
 Prepared 7/29/1994

	INCOME SHARE -----	EXPENSE SHARE -----	SECURITY DEPOSITS -----
325 Arboleda	55,353	31,310	40,630.65
502 Veselich	39,835	18,304	67,414.02
929 Parthenia	1,996	3,558	600.00
769 Western	27,464	14,661	38,730.00
TOTAL	124,648	67,833	147,374.67

Schedule 3.01(iv)  
-----

Litigation

NONE

Real Estate Purchase Agreement

Form of  
Assignment of Intangible Personal Property

ASSIGNMENT OF GENERAL INTANGIBLES,  
LICENSES AND PERMITS  
-----

THIS ASSIGNMENT OF GENERAL INTANGIBLES, LICENSES AND PERMITS ("Assignment") is made as of the \_\_\_ day of \_\_\_\_\_, 1994, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor"), and Citadel Realty, Inc., a Delaware corporation ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has sold and conveyed to Assignee certain real property and improvements located thereon, if any (collectively, "Property"), pursuant to that certain Real Estate Purchase Agreement dated August \_\_, 1994 between Assignor and Assignee (the "Purchase Agreement").

B. It is a condition to the consummation of the transactions contemplated by the Purchase Agreement that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein -----  
by reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, transfer, -----  
assign, deliver, grant and convey unto Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under the following property and rights (collectively, "Assigned Items"), all of which are located in or about, pertain to or are related to the Property:

(a) All surveys, site plans, engineering, architectural, structural, electrical, mechanical and other plans, specifications, drawings, if any, and all other documentation of any type relating to the construction, maintenance and/or operation of the Property.

(b) To the extent assignable without the consent of any third party, all warranties and guarantees, if any, from any and all parties in connection with the construction, maintenance and operation of the Property, or in connection with any fixtures or equipment located on the Property.

(c) To the extent legally assignable, all licenses, permits, authorizations, approvals, registrations, certificates of occupancy and like authorizations issued by any governmental authority, federal, state or local, in connection with the Property.

3. Headings. The headings used in this Assignment are for purposes -----  
of convenience only and shall not be used in construing the provisions hereof.

Real Estate Purchase Agreement

4. Covenant Of Further Assurances. The parties hereto agree to  
-----  
execute such other documents and perform such other acts as may be reasonably  
necessary or desirable to carry out the purposes of this Assignment.

6. Governing Law. This Assignment shall be governed by and  
-----  
construed in accordance with the laws of the State of California.

7. Severability. The provisions of this Assignment shall be deemed  
-----  
severable, and the invalidity or unenforceability of any one or more of the  
provisions hereof shall not affect the validity or enforceability of the other  
provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment  
to be executed as of the day and year first above written.

ASSIGNOR:

-----

FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSIGNEE:

-----

CITADEL REALTY, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Real Estate Purchase Agreement

Exhibit A  
-----

[PROPERTY NAME AND ADDRESS]

[Fidelity will attach an Exhibit A page for each REO Property]

Real Estate Purchase Agreement

Exhibit 1.01-B

Form of  
Bill of Sale

BILL OF SALE  
-----

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Fidelity Federal Bank, a Federal Savings Bank ("Seller"), does hereby sell and deliver unto Citadel Realty, Inc. ("Purchaser"), all of Seller's right, title and interest in all of the tools, equipment, supplies, inventory, fixtures and equipment not deemed or constituting realty, as well as all furniture, furnishings, and all other like items of personal property which as of the date hereof are located on or used exclusively in connection with the real property described on Exhibit 1 attached hereto, but expressly not including any personal property that may belong to any tenant or property manager of such real property.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of this \_\_\_\_ day of July, 1994.

SELLER:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_

Its: \_\_\_\_\_

Real Estate Purchase Agreement

Exhibit 1  
-----

Legal Description

[Fidelity will attach a legal description of each REO Property]

Real Estate Purchase Agreement

=====

FIDELITY FEDERAL BANK,  
Seller

and

EMC MORTGAGE CORPORATION

Purchaser

LOAN AND REO PURCHASE AGREEMENT (SECONDARY)  
Dated as of July 12, 1994

=====



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Loan and REO Purchase Agreement (Secondary)

-----

LOAN AND REO PURCHASE AGREEMENT (SECONDARY)

THIS LOAN AND REO PURCHASE AGREEMENT (SECONDARY) (this "Agreement"), dated as of July 12, 1994, is executed by and between Fidelity Federal Bank, a Federal Savings Bank (the "Seller"), and EMC Mortgage Corporation, a Delaware corporation (the "Purchaser").

WHEREAS, the Seller owns certain Mortgage Loan Assets (as defined herein) and REO Assets (as defined herein); and WHEREAS, the Purchaser desires to purchase and the Seller desires to sell such Mortgage Loan Assets and REO Assets and related rights and assets;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Purchaser and the Seller agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms.

Whenever used in this Agreement, the following words and phrases shall have the following meaning specified in this Article and shall apply to the singular and plural forms:

"Agreement" means this Loan and REO Purchase Agreement including the schedules and exhibits hereto and all amendments hereof and supplements hereto.

"Allocated Price" means, as to each Mortgage Loan Asset and each REO Asset, the portion of the Purchase Price attributed to the Mortgage Loan Asset and REO Asset as set forth on the Allocated Price Schedule provided by the Purchaser on or prior to the Bid Date and attached hereto as Schedule 1.01-A.

"ALTA" means the American Land Title Association.

"Apportionment Amount" shall have the meaning set forth in Section 2.09.

"Appraised Value" means with respect to any REO Property or Mortgaged Property, the value of such REO Property or Mortgaged Property based upon the most recent appraisal thereof contained in the Investors' Review File.

"Assets" means the Mortgage Loan Assets and the REO Assets.

"Assignment" means an assignment of a Mortgage or equivalent instrument in recordable form sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale or transfer of the related Mortgage Loan Asset.

"Assignment of Intangible Personal Property" means an Assignment of Intangible Personal Property substantially in the form of Exhibit 1.01-A hereto.

"Balance Purchase Price" shall be an amount equal to the Purchase Price minus the Deposit.

"Bid Date" means July 8, 1994.

"Bid Information Date" means July 5, 1994.

"Bill of Sale" means a Bill of Sale substantially in the form of

Exhibit 1.01-B hereto.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking or savings and loan institutions in the State of California are authorized or obligated by law or executive order to be closed.

"Claims" shall have the meaning set forth in Section 5.08.

"Closing" means the closing of the purchase and sale of the Assets hereunder, as provided in Section 2.01.

"Closing Date" shall have the meaning set forth in Section 2.01.

"Condominium Association" means the condominium association that is responsible for the operation of a Condominium Project.

"Condominium Loan" means any Mortgage Loan that is secured by a Mortgage on a Condominium Unit and identified on the Mortgage Loan Schedule.

"Condominium Project," with respect to a Condominium Unit or REO Condominium Unit, means all real property owned by a Condominium Association and the individual owners of the separate units including the land, the separate units and all common elements.

"Condominium Unit" means each specific unit in a Condominium Project identified on the Mortgage Loan Schedule or the REO Property Schedule.

"Cure Estimate" shall have the meaning set forth in Sections 5.03 or 5.04, as applicable.

"Cure Threshold" means the greater of five percent (5%) of the Allocated Price of the related Asset and \$20,000.

"Cut-off Date" means May 31, 1994.

"Deeds" shall have the meaning set forth in Section 2.04.

"Deposit" means the ten percent (10%) of the Purchase Price that the Purchaser shall deliver to the Deposit Escrow Agent prior to the Closing Date pursuant to Section 2.01. "Deposit" also includes interest on the Deposit from the date of receipt by the Deposit Escrow Agent to, but not including, the Closing Date, as provided in Section 2.01.

"Deposit Escrow Agent" means Morgan Guaranty Trust Company of New York.

Loan and REO Purchase Agreement (Secondary)

"Deposit Escrow Agreement" means the Deposit Escrow Agreement dated as of the date of this Agreement, by and among the Purchaser, the Seller and the Deposit Escrow Agent.

"Deviation Amount" shall have the meaning set forth in Section 2.09.

"Engineering Structural Report" means a report prepared at the request of the Seller, included in the Investors' Review File prior to the Bid Date, reporting the results of an inspection of a Property in an area affected by the Northridge Earthquake, made by a structural engineer after the Northridge Earthquake.

"Environmental Hazard" means any condition on a Property by reason of which the Property is not in substantial compliance with a federal, state, or local law, ordinance or regulation or any court judgment applicable to the Mortgagor or the Property relating to industrial hygiene or to environmental conditions including, but not limited to, those relating to the release, emission or discharge of substances defined therein as hazardous and including without limitation, conditions relating to lead paint ("Lead Paint Hazard").

"Escrow Advance" means the funds advanced by the Seller on behalf of the Mortgagor for taxes and insurance premiums, water rates, mortgage insurance premiums, ground rents, assessments for common charges, Condominium Association dues, security, key or other deposits, capital improvements or other similar payments that have not been reimbursed by such Mortgagor.

"Escrow Agent" means North American Title Company or any other escrow agent appointed by the mutual agreement of the Seller and the Purchaser to assist the Closing.

"Escrow Balance" means the positive balance of funds held by the Seller or held in escrow pursuant to any Mortgage for impounds for taxes and insurance premiums, water rates, mortgage insurance premiums, ground rents, assessments for common charges, Condominium Association dues, security, key or other deposits, funds reserved for capital improvements or other similar payments.

"Estimated Apportionment Amount" shall have the meaning set forth in Section 2.09.

"Insured Loss" means any condemnation (or the initiation of proceedings therefor) that is not a Material Loss and any casualty loss that is not a Material Loss and against which the Seller (or the Purchaser for the purposes of Section 6.05) has valid insurance coverage.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute, and the regulations promulgated and the rulings issued thereunder.

"Investors' Review File" means, as to each Mortgage Loan or REO Property the information contained in the files made available to the Purchaser's representatives at the Seller's offices located at 700 North Central Avenue, Glendale, California, together with all supplementary information made available to the Purchaser at the Seller's offices or directly to the Purchaser on or before the Bid Information Date, which consists of some or all of the following with respect to a particular Asset: (a) the Loan Documents; (b) any physical inspection report concerning the related Property; (c) any Engineering Structural Report concerning the related Property; (d) any title updates, current rent rolls, current operating statements, appraisals and similar materials prepared for presentation to investors; and (e) the Confidential Portfolio Information Package dated May 26,

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1994 provided to the Purchaser and any amendments, appendices or supplements thereto provided to the Purchaser. The information regarding each Mortgage Loan and REO Property contained in the magnetic tapes delivered to the Purchaser shall also be deemed to be part of the Investors' Review File with respect to such Mortgage Loan or REO Property described therein. Information given to an individual investor in response to an inquiry from that investor is not part of the Investors' Review File.

"Lead PaintHazard" shall have the meaning set forth in the definition of Environmental Hazard.

"Loan Documents" means the Mortgage Note, the Mortgage and any and all other agreements, certificates, documents or instruments in the Seller's possession or under its control relating to the origination, closing and modification of a Mortgage Loan, including without limitation any related security agreement, UCC financing statement, guaranty, letter of credit, pledge, loan agreement or other instrument creating a security interest in, and lien upon, real and/or personal property; any Participation Agreements, assumption agreements, modification agreements, appraisals, guarantees, insurance certificates, borrower estoppel certifications and subordination agreements for leases, financial and/or operating statements, credit reports, lender's title insurance policy, engineering reports, soil reports, environmental assessment reports and architect's certificate. The Loan Documents may be original documents or copies thereof, whether by photocopy, microfiche, microfilm or on diskette. Loan Documents does not include duplicate materials, correspondence not material to an evaluation of the Assets, internal reports, or any privileged attorney-client communications.

"Material Loss" means a casualty loss with respect to a Property of more than twenty-five percent (25%) of its Appraised Value on the Cut-off Date, or a condemnation (or the initiation of proceedings therefor) of more than 25% of the Premises of a Property or that substantially impairs (or would impair) the ability to use the Premises of a Property for its intended purpose, whether or not the Seller has insurance against such casualty or condemnation, or any material casualty loss with respect to a Property against which the Seller does not have insurance.

"Mortgage" means the mortgage, deed of trust or other instrument creating a lien on improved real property (including without limitation a Condominium Unit) securing a Mortgage Note.

"Mortgage Loan" means any individual Mortgage Loan that is secured by a Mortgage, including without limitation a Condominium Loan, and that is identified on the Mortgage Loan Schedule, provided, however, that the Seller may take title to a Mortgaged Property subject to a Mortgage Loan identified on the Mortgage Loan Schedule prior to the Closing Date, in which case such Mortgaged Property shall constitute REO Property under this Agreement.

"Mortgage Loan Assets" means the Mortgage Loans, Mortgage Notes and Mortgages.

"Mortgage Loan Principal Balance of Record" means, with respect to any Mortgage Loan, the unpaid principal balance as of the Cut-off Date, after giving effect to all payments of principal received on or before the Cut-off Date and applied as provided in this Agreement.

"Mortgage Loan Schedule" means the list of Mortgage Loans subject to this Agreement and identified on Schedule 1.01-A attached hereto, which schedule sets forth the following information with respect to each Mortgage Loan as of the Cut-off Date:

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- (i) the Mortgage Loan identifying number;
- (ii) the name of the Mortgagor;
- (iii) the street address and unit number, if any, of the Property including state and zip code;
- (iv) the type of real property constituting the Property;
- (v) the Mortgage Loan Principal Balance of Record;
- (vi) the original principal balance of the Mortgage Loan;
- (vii) the stated maturity date;
- (viii) any Unapplied Funds as of the Cut-off Date;
- (ix) any unreimbursed servicing advances;
- (x) the due date of the next payment;
- (xi) a code indicating whether the Mortgage Loan bears interest at a fixed or adjustable rate of interest;
- (xii) the monthly payment amounts; and
- (xiii) the amount of any impound account.

"Mortgage Note" means the note or other evidence of the indebtedness under a Mortgage Loan.

"Mortgaged Property" means the underlying real property that secures a Mortgage.

"Mortgagor" means one or more Persons who are the current and unreleased obligor or obligors on a Mortgage Note or, in some cases, the last known party from whom the Seller accepted payment, all as reflected in the Seller's records.

"Northridge Earthquake" means the major seismic event of January 17, 1994, centered in the Northridge or Reseda area of Los Angeles, California, and all subsequent seismic events deemed to be aftershocks thereto and occurring prior to the Closing Date.

"Notice of Defect" shall have the meaning set forth in Section 5.03.

"Notice of Hazard" shall have the meaning set forth in Section 5.04.

"Pending Loan Modification" means the proposed modification of a Mortgage Loan set forth on the Pending Loan Modifications Schedule pursuant to which the Seller deferred or would defer payments of principal and/or interest, or advanced or would advance funds to the related Mortgagor, together with the resulting modification of the related Mortgage Note, if any, which modification is contemplated by the Seller and such Mortgagor but may not be consummated as of any date between the Cut-off Date and the Closing Date, inclusive.

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"Pending Loan Modifications Schedule" means the list of Pending Loan

Modifications identified on Schedule 1.01-B attached hereto, which schedule sets

forth, with respect to each Pending Loan Modification which existed on or after the Cut-off Date, as of the Cut-Off Date and as of the Bid Information Date, the related Mortgage Loan's identifying number, the material terms of the modifications made or proposed, the amount of the related pay-down of the principal balance made or proposed, if any, and the amount of the advance made or proposed to be made upon the consummation of the Pending Loan Modification, if any. At the Closing Date, the Pending Loan Modifications Schedule shall be updated to reflect the Pending Loan Modifications as of the Closing Date and the consummation or other disposition of the Pending Loan Modifications set forth on the Pending Loan Modifications Schedule with respect to the Bid Information Date.

"Permitted Encumbrances" means (a) the lien of real estate taxes and

assessments, ground rents and other obligations under ground leases, personal property taxes, water rates, water frontage charges and/or meter charges, sewer taxes or rents, and vault charges, in each case not yet due and payable or, if due and payable, which may be paid without interest or penalties, (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record of a type acceptable to lending institutions generally, (c) mechanics' or similar liens or claims for work, labor and materials relating to work performed by tenants on such Property, (d) zoning and other land use restrictions and ordinances, including, without limitation, landmark, historic and wetland designations, (e) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided, in the case of a Mortgaged Property, by the related Mortgage, and in the case of an REO Property, by the mortgage granted in connection with the REO Loan, (f) rights of tenants under leases or other rights of tenants or rights of other occupants of the Premises, (g) any laundry or other equipment leases, and (h) in addition, in the case of any Condominium Loan, (1) the lien of the Condominium Association on the related Condominium Unit or REO Condominium Unit provided for in the related documents for the Condominium Unit for enforcement of unpaid maintenance or common expense assessments and (2) rights of the Condominium Association pursuant to the condominium declaration, or the rules, regulations or other operative documents of such Condominium Association.

"Person" means any individual, corporation, partnership, joint

venture, association, joint-stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

"Post-Closing Consents" means the consents or approvals required to

transfer any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its related amenities.

"Premises" means, with respect to a Property, the buildings and

improvements on such Property.

"Properties" means the Mortgaged Properties and the REO Properties.

"Purchase Price" shall be an amount equal to \$30,923,127, as such

Purchase Price may be reduced with respect to the Allocated Price of any Asset deleted as permitted under this Agreement..

"Purchaser" shall have the meaning set forth in the preamble to this

Agreement.

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"REO Assets" means all the Seller's right, title and interest in and  
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to the REO Properties and the REO Personal Property. REO Assets do not include  
rights to pursue deficiency judgments against any loan obligors from whom such  
REO Properties were acquired.

"REO Condominium Unit" means each specific unit that is in a  
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Condominium Project and is REO Property.

"REO Loan" means a mortgage loan previously held by the Seller  
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pursuant to which mortgaged property became REO Property.

"REO Personal Property" means the tangible and intangible personal  
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property located on, appurtenant to or used exclusively in connection with the  
management of, the REO Property on the Closing Date, if any. The Seller makes  
no representation or warranty concerning the existence of any such REO Personal  
Property.

"REO Property" means (i) the real property to which title has been  
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acquired by the Seller by foreclosure, deed in lieu of foreclosure or similar  
means, including without limitation REO Condominium Units, which is identified  
on the REO Property Schedule, together with all Mortgaged Properties to which  
the Seller has taken title prior to the Closing Date, and the related Premises.  
An REO Property (with the exception of REO Condominium Units) includes all of  
the Seller's ownership and rights, if any, to land lying in the bed of any  
street or highway, opened or proposed, adjoining the relevant Premises to the  
center line thereof, and all fixtures, attachments, appliances, equipment,  
machinery and other articles, if any, attached or appurtenant to the relevant  
Premises on the Cut-off Date.

"REO Property Schedule" means the list of REO Properties subject to  
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this Agreement and identified on Schedule 1.01-D attached hereto, which schedule  
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sets forth the following information with respect to each REO Property as of the  
Cut-off Date:

- (i) the identifying number of the related REO Property;
- (ii) the street address and unit number, if any, of the REO  
Property including state and zip code; and
- (iii) the type of real property constituting the REO  
Property.

"Repurchase Price" means, in the case of any Asset to be repurchased  
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by the Seller from the Purchaser pursuant to Article VI, Article V or Section  
2.06(d) or removed from the Assets sold under this pursuant to Section 2.06, a  
price equal to the sum of (w) the Allocated Price, plus (x) reasonable and

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necessary out-of-pocket expenses for unreimbursed servicing advances and  
expenses made by the Purchaser after the Closing Date in respect of such Asset  
and expenditures of the kind described in Section 2.09 hereof made by the  
Purchaser with respect to the related Property plus (y) interest on the

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Allocated Price of such Asset on a daily basis, at the Return Rate for each day  
from the Closing Date to the date of repurchase under the applicable provision  
of this Agreement, minus (z) all payments, rents and other income or proceeds

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received by the Purchaser with respect to the related Mortgage Loan or REO  
Property of the kind described in Section 2.07 and Section 2.09, including  
without limitation any prepayments, insurance proceeds, condemnation proceeds  
and liquidation proceeds.

"Return Rate" means the rate for deposits in United States dollars for  
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three months, as published on the display page designated as "Telerate Page  
3750" on the Dow Jones Telerate as of 5:00 p.m. Eastern Time, on the first day  
of the month of any date of determination (or such other

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page replacing that page on such date of determination); provided, however, that

if such rate is not available from the Dow Jones Telerate service, the rate shall be determined on the basis of the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16th of 1%), of the rates at which deposits in United States dollars are offered by the reference banks in the London Interbank Market at 5:00 p.m. Eastern Time, on the date of determination, to prime banks in the London Interbank Market for three months commencing on such date of determination.

"Seller" shall have the meaning set forth in the preamble to this Agreement.

"Servicing Agreement" means the Interim Servicing Agreement, to be dated as of the Closing Date, between the Seller and the Purchaser, to provide servicing through August 31, 1994 and substantially in the form of Exhibit 1.01-C hereto.

"Structural Defect" means a condition of the structure of the improvements on a Mortgaged Property or an REO Property resulting from faulty engineering, construction, labor or materials, or from fire or other casualty (including the Northridge Earthquake) which has a material adverse impact on the value and use of the Property. "Structure" for the purpose of the foregoing definition means the foundation, exterior walls and interior bearing walls. "Structural Defect" shall not include (a) the failure of any component of the structure to be suitable for a use for which it was not intended when built or installed; (b) any condition which exists by reason of normal wear and tear; (c) any condition in the nature of deferred maintenance; (d) any condition which exists because the structural component has outlived its useful life or functional utility; (e) any condition which causes a material adverse impact on the value and use of the Property solely because the structure is not in compliance with a law, regulation, code or standard which did not apply when the structural component was built or installed, including, without limitation, the Americans With Disabilities Act of 1990.

"Unapplied Funds" means funds received by Seller with respect to a Mortgage Loan that have not been allocated on the books of the Seller.

ARTICLE II

SALE AND CONVEYANCE OF ASSETS

Section 2.01 Purchase and Sale of Assets.

The Seller hereby agrees to sell, assign, transfer, set over and convey to the Purchaser, and the Purchaser hereby agrees to purchase, all of the Seller's right, title and interest in and to the Assets, without recourse to the Seller except as expressly set forth herein, on July 29, 1994, or such other date as is agreed between the Purchaser and the Seller, subject to the last sentence of Section 6.07 (the "Closing Date"). The Mortgage Loan Assets are

being sold to the Purchaser with any obligation or right of the Seller to service the Mortgage Loans being released and terminated as of the Closing Date, except as provided in the Servicing Agreement. The Purchaser hereby agrees to assume each and every obligation of the Seller (if any) arising on or after the Closing Date and relating to the Assets. On the Closing Date, the Seller shall also deliver to the Purchaser or to a custodian designated by the Purchaser all documents and instruments specified in Sections 2.03 and 2.04.

On July 13, 1994, the Purchaser shall deposit with the Deposit Escrow Agent, by wire transfer in immediately available funds to the account specified by the Deposit Escrow Agent, ten percent (10%) of the Purchase Price to hold in accordance with the terms of this Agreement and any further instructions not inconsistent herewith. The Deposit Escrow Agent shall maintain

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the Deposit in an interest-bearing demand deposit account, with interest accruing for the benefit of the Purchaser.

On the Closing Date, the Deposit shall be released by the Deposit Escrow Agent and paid to the Seller, and the Purchaser shall pay to the Seller or its designee, by wire transfer in immediately available funds to the account specified by the Seller, the Balance Purchase Price, plus or minus, as the case may be, the Estimated Apportionment Amount. The Seller and the Purchaser agree that no part of the Purchase Price is allocable to any REO Personal Property.

The Closing shall take place at the offices of the Seller or its attorneys at 9:00 AM (P.D.T.) on the Closing Date or, upon reasonable notice by the Seller to the Purchaser, at such other time or place on the Closing Date as may be designated by the Seller.

Section 2.02 Servicing.  
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The servicing rights related to the Mortgage Loans shall be transferred to the Purchaser on the Closing Date, subject to the terms of the Servicing Agreement. From the Cut-off Date up to and including the Closing Date, without the consent of the Purchaser, the Seller shall continue to service the Mortgage Loans and the REO Properties, to the extent practicable, using the same servicing procedures applicable to the Mortgage Loans and the REO Properties as the Seller utilized for its own account prior to the Cut-off Date, except that between the date of this Agreement and the Closing Date the Seller will not, without the consent of the Purchaser, modify the terms of any Mortgage Loan or affirmatively waive any material obligation of the borrower or right of the lender under any Mortgage Loan, conclude any foreclosure proceeding in respect of any Mortgaged Property or take title pursuant to such proceeding, or take title to any Mortgaged Property by accepting a deed in lieu of foreclosure, except in each case as described on the Pending Loan Modifications Schedule. The Purchaser shall execute and deliver the Servicing Agreement on the Closing Date, which shall govern the servicing of the Mortgage Loans thereafter for the term thereof.

Section 2.03 Delivery of Mortgage Loan Assets.  
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The Seller shall, on the Closing Date, subject to any contrary provisions in the Servicing Agreement, deliver and release to the Purchaser or to a custodian designated by the Purchaser the documents listed below in respect of each Mortgage Loan Asset:

(i) The original Mortgage Note endorsed, "Pay to the order of [Purchaser], without recourse," showing an unbroken chain of endorsements of the Mortgage Note from the originator to the Seller, and signed in the name of the Seller by an authorized officer thereof or a lost note affidavit or other reasonably acceptable evidence of the issuance of such Mortgage Note, with indemnification by the Seller for any material losses caused by the Seller's failure to deliver the original Mortgage Note.

(ii) The original recorded Mortgage with evidence of recording thereon or, if the original mortgage has not yet been returned from the recording office or is not in the Seller's files, a copy of the original Mortgage certified by the Seller to be a true copy of the original of the Mortgage which has either been sent for recording or is recorded in the appropriate recording office of the jurisdiction in which the Mortgaged Property is.

(iii) An Assignment.

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(iv) Originals of any intervening Assignments with evidence of any recording thereof or, if the original thereof is not in the Seller's files, a copy of such Assignment certified by the Seller to be a true copy of the original of such Assignment in the form recorded, if recorded, showing an unbroken chain of ownership and assignment of the Mortgage Loan.

(v) The original or a copy of the title insurance policy.

(vi) The original or a copy of the policy of mortgage insurance, if any, or evidence thereof.

(vii) Originals or copies certified by the Seller of all assumption, modification and substitution agreements, if any.

(viii) The other Loan Documents contained in the Investors' Review File, if any.

In the event that, with respect to any Mortgage Loan, the Seller does not deliver any document described in clauses (iv) through (viii) above, the Closing shall occur and the Purchaser shall have the rights set forth in Section 6.01. The Seller will also deliver a Pending Loan Modifications Schedule updated to set forth the Pending Loan Modifications which have been consummated or abandoned between the Bid Information Date and the Closing Date and the Pending Loan Modifications which remain to be consummated as of the Closing Date.

#### Section 2.04 Delivery of REO Assets.

The Seller shall, on the Closing Date, deliver and release to the Purchaser or to a custodian designated by the Purchaser the following documents and items in respect of each REO Asset:

(i) Grant deeds or their equivalent (special warranty deeds) under the law of the State where the REO Property is located (the

"Deeds"), duly executed and acknowledged by the Seller, in proper

form for recording, conveying to the Purchaser good and marketable fee simple title to the REO Properties, subject only to Permitted Encumbrances and such other matters to which the Purchaser is required or agrees to be subject pursuant to this Agreement. For convenience, at the Seller's option, there may be omitted from the Deeds a listing of all Permitted Encumbrances and such other matters, but, nevertheless, such Permitted Encumbrances and other matters shall be incorporated therein by reference to this Agreement and shall survive the delivery thereof.

(ii) Copies of foreclosure deeds, certificates of foreclosure, deeds in lieu of foreclosure and related documents by which the Seller acquired its ownership rights to the REO Properties to the extent applicable and in the possession of, or reasonably available to, the Seller.

(iii) An assignments of leases, assigning to the Purchaser all of the Seller's right, title and interest as landlord in and to leases of the REO Properties or portions thereof, if any, together with security deposits held by the Seller, and pursuant to which the Purchaser assumes all of the Seller's duties and obligations with respect thereto, together with such executed leases as the Seller has in its possession.

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(iv) A Bill of Sale duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the tangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(v) An Assignment of Intangible Personal Property duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the intangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(vi) Keys and any other access devices for each REO Property to the extent available and in the possession of the Seller or instructions as to where such keys and other access devices are located.

(vii) Assignments and assumptions of any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its amenities, to the extent all necessary approvals and consents to make such assignment have been obtained. The Seller shall promptly assign to the Purchaser and the Purchaser shall assume any such franchise agreement, service contract, management contract or liquor license upon the receipt by the Seller of all approvals and consents which the Seller reasonably considers necessary to make such assignment.

(viii) Assignments and assumptions of the construction contracts described in Schedule 2.04(viii) attached hereto, which -----  
contracts have been delivered to the Purchaser on or before the Bid Information Date. The Purchaser hereby agrees to assume such construction contracts upon their assignment by the Seller to the Purchaser.

(ix) An affidavit stating that the Seller is not a "foreign person" pursuant to Section 1445(b)(2) of the Internal Revenue Code (and the Purchaser agrees that upon the execution and delivery of such to the Purchaser, no deduction shall be made or claimed against the Purchase Price 1445 by reason of the requirements of Section 1445 of the Internal Revenue Code).

(x) An affidavit stating that Seller is exempt from the withholding provisions of California Revenue and Taxation Code Sections 18805 and/or 26131.

In the event that, with respect to any REO Property, the Seller does not deliver any item described in clauses (ii) through (ix) above, the Closing shall occur and, if such non-delivery is of a document described in clauses (ii) through (vii) above, then the Purchaser shall have the rights set forth in Section 6.01.

Section 2.05 Recordation of Assignments and Deeds; Transfer  
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Taxes.  
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(a) The Purchaser shall be responsible for and shall bear the expense of recording Assignments and Deeds to the Purchaser.

(b) The Purchaser shall promptly upon the Closing record all Assignments and Deeds and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with the purchase of the Assets contemplated by this Agreement.

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(c) The Seller and the Purchaser may mutually agree to effect the Closing for all or a portion of the Assets through an Escrow Agent, which Escrow Agent may, among other things, prepare, record and deliver Deeds and Assignments, in which case Escrow Agent shall record and deliver such documents in accordance with the terms hereof and any supplementary escrow instructions mutually executed and delivered by the Seller and the Purchaser. The Seller and the Purchaser shall take such actions as the Seller may reasonably require in order to allow the selected transactions to close through the Escrow Agent, including without limitation the depositing of documents with the Escrow Agent. The costs and expenses of the Escrow Agent shall be borne equally by the Seller and the Purchaser.

Section 2.06 Risk of Loss; Insurance.  
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(a) From and after the Closing Date the Purchaser assumes all risk of loss to the Properties and shall arrange for insurance coverage at its discretion.

(b) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers a Material Loss, then the related Asset will not be sold (and the related Mortgage Loan or REO Property will not be deemed a Mortgage Loan or REO Property hereunder) and the Purchase Price will be reduced by the corresponding Allocated Price.

(c) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers an Insured Loss, then the Purchaser shall purchase the related Asset and the Seller shall assign to the Purchaser the condemnation proceeds or the proceeds of the insurance covering the Insured Loss, as applicable.

(d) If a determination as to whether a Material Loss or an Insured Loss has occurred with respect to a Property cannot be made prior to the Closing Date, the Purchaser shall purchase the related Asset as if such Property had suffered an Insured Loss, provided, however, that if a determination is made

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within sixty (60) days after the Closing Date that such Property suffered a Material Loss, then the Purchaser, at its option, may require the Seller to repurchase the related Asset at its Repurchase Price by so notifying the Seller within ten (10) Business Days of such determination. The Seller's obligation to repurchase any Asset pursuant to this Section 2.06(d) shall be subject to earlier termination under Section 6.02 hereof.

Section 2.07 Allocation of Mortgage Loan Payments.  
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(a) Subject to the Closing, funds received with respect to Mortgage Loans shall be allocated as follows:

(i) With respect to funds received by the Seller prior to the Cut-off Date, (A) the Seller shall be entitled to (1) all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, and (B) the Purchaser shall be entitled to the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to principal upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due.

(ii) With respect to funds received after the Cut-off Date and prior to the Closing Date, (A) the Seller shall be entitled to (1) all interest payments, (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied

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to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, (3) the interest portion of up to four months of payments due before the Cut-off Date that were deferred by a written agreement with the Mortgagor in connection with the Northridge Earthquake, as described in Schedule 2.07(a)(ii) attached hereto, (4)

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payments received to reimburse funds advanced by the Seller as described in Section 2.12, (5) payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date, and (6) payments made prior to the Closing Date constituting payment of late fees, and (B) the Purchaser shall be entitled to all principal payments and other recoveries, paid by or on behalf of any Mortgagor with respect to a Mortgage Loan, including without limitation any remaining Unapplied Funds.

(iii) With respect to funds received after the Closing Date, (A) the Purchaser shall be entitled to all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (B) the Seller shall be entitled to payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date. The Purchaser shall pay over to the Seller any amounts received by the Purchaser to which the Seller is entitled, within ten (10) Business Days after the receipt thereof.

(b) All payments that are received prior to the Closing Date by the Seller and that are allocated to Purchaser under Section 2.07(a) shall be either added to the Estimated Apportionment Amount payable to the Purchaser or credited toward the Estimated Apportionment Amount payable to the Seller, as applicable. All such payments accepted by the Seller on or after the Closing Date shall be held for the benefit of the Purchaser and delivered to the Purchaser promptly after receipt thereof. Notwithstanding the foregoing, with respect to a foreclosure of a Mortgage Loan or an REO Loan or the taking of a deed in lieu of foreclosure, funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be apportioned as of the Closing Date in the manner set forth in Section 2.09; and with respect to a foreclosure or similar proceeding that results in the reinstatement of a Mortgage Loan (whether or not such Mortgage Loan is modified in such proceeding), funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be allocated in the manner set forth in Section 2.07(a). The Seller and the Purchaser agree to notify each other of the receipt of any such payments, including without limitation payments received after the Closing Date.

Section 2.08 Escrow Balances.  
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From and after the Closing Date, but subject to the Servicing Agreement, the Purchaser hereby agrees to assume, undertake and discharge any and all obligations of the Seller as may relate to Escrow Balances, including without limitation any obligation to pay interest accruing after the Closing Date to any Mortgagor on the Escrow Balances, if required by applicable law. All Escrow Balances relating to the Mortgage Loans or the REO Property as of the Closing Date shall be transferred to the Purchaser, and the Seller shall pay over and/or deliver such amounts to the Purchaser within ten (10) Business Days after the Closing Date against the Purchaser's acknowledgment of receipt thereof. The Purchaser hereby indemnifies and holds the Seller harmless against any and all Claims made as a result of the Purchaser's violation of applicable law,

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or application of funds, with respect to and only to the extent of the Escrow Balances transferred to the Purchaser hereunder.

Section 2.09 Apportionments.  
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(a) The following items received or paid by or on behalf of the Seller prior to the Closing Date shall be apportioned between the Seller and the Purchaser as of 11:59 p.m. on the day preceding the Closing Date:

(i) All payments, rents and other income or proceeds with respect to the related REO Property (including without limitation payments of the kind described in Section 2.07 with respect to a Mortgaged Property that became an REO Property prior to the Closing Date), on a cash basis, including without limitation, rents, month to month holdover charges, furniture rentals, corporate rentals and services, and laundry equipment rentals.

(ii) Real property taxes and assessments, and amounts prepaid or payable for any hazard insurance policy or other insurance policy being transferred to the Purchaser.

(iii) Utility charges, including water, sewer, electricity and gas, and maintenance charges, if any, for sewers. In conjunction with such apportionments, the Purchaser and the Seller shall notify, or cause to be notified, all utilities servicing the REO Properties of the change in ownership and direct that all future billings be made to the Purchaser at the address of the REO Property with no interruption of service and the Seller shall secure the release of any such utility deposits, provided that the Purchaser shall cooperate in the same without expense to the Purchaser. The Seller shall use its best efforts to procure final meter readings for all utilities as of the Closing Date and to have such bills rendered directly to the Seller. To the extent that tenants are responsible for and receive all such statements, no such notifications shall be required.

(iv) Fees and charges under any management, service, supply, security, maintenance or other similar contracts, and common charges and Condominium Association dues and charges adversely affecting any Condominium Unit or REO Condominium Unit that give rise to a lien thereon prior in right to that of the Seller.

(v) Cash amounts maintained in operating accounts on behalf of any REO Property which is a hospitality property shall be deemed to be expenses prepaid by the Seller on behalf of the Purchaser for expenses to be incurred after the Closing Date, provided that such amounts shall be only that which is reasonably necessary to continue the day-to-day operations of such hospitality property and its related amenities and such amounts shall be transferred to the account of the Purchaser.

(vi) Other operating expenses for the REO Properties, including without limitation prepaid expenses and accounts payable with respect to such expenses.

(vii) Cash amounts maintained in accounts with property managers of the REO Properties shall be deemed to be expenses prepaid by the Seller on behalf of the Purchaser for expenses to be incurred after the Closing Date, provided that pursuant to the Servicing Agreement, the property manager will be instructed to

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mark its records to show the ownership of such funds has been transferred to the account of the Purchaser.

(b) The actual net amount of the apportionments described in Section 2.09(a) shall be the "Apportionment Amount." For purposes of the Closing Date

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the Seller shall calculate an estimate of the Apportionment Amount (the

"Estimated Apportionment Amount"), on the basis of the actual amounts of any

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items apportioned if known by the Seller as of the Closing Date, or the Seller's good faith estimation of such amounts, if not so known. The Estimated Apportionment Amount shall be adjusted in accordance with the provisions of Sections 2.07, 2.12 and 2.13. The Seller or the Purchaser, as applicable, shall pay to the other party the Estimated Apportionment Amount in accordance with Section 2.01. The Seller shall deliver a reconciliation report to the Purchaser within sixty (60) days after the Closing Date which shall set forth the actual deviations from any such good faith estimations and the overall deviation between the Apportionment Amount and the Estimated Apportionment Amount (the "Deviation Amount"). The party which received the benefit of the Deviation

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Amount shall pay such amount to the other party hereto by wire transfer of immediately available funds to the account specified by the Seller or the Purchaser, as the case may be, within ten (10) Business Days after the Seller delivers such reconciliation report to the Purchaser, or if no account is specified before two Business Days prior to such date, by bank certified check payable in next day funds.

Section 2.10 Payment of Expenses.  
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After the date of this Agreement, the Seller but shall continue to pay any expenses of the kind described in Section 2.09 which become due and payable in the ordinary course of business and include such expenses in the apportionment under Section 2.09. The Seller shall not pay any such expenses becoming due and payable on or after the Closing Date.

Section 2.11 Legal Proceedings.  
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(a) With respect to any Mortgage Loan or REO Property that is, as of the Closing Date, the subject of litigation or other legal proceeding (including, without limitation, a bankruptcy, eviction, foreclosure or receivership proceeding), the Purchaser agrees that it shall, at its own cost, within thirty (30) days after the Closing Date, (i) notify the Mortgagor thereunder, the Clerk of the Court, all parties who have appeared, all counsel of record and any other Person required by law to be notified, in each such proceeding, of the transfer of the Mortgage Loan or REO Property, as the case may be, from the Seller to the Purchaser, (ii) file pleadings to relieve the Seller's counsel of record from further responsibility in such litigation or other legal proceeding (unless said counsel has agreed, with the Seller's written consent, to represent the Purchaser in said proceedings at the Purchaser's expense), and (iii) remove the Seller as a party in such action and substitute the Purchaser as the real party-in-interest, and change the caption thereof accordingly. In connection therewith, after the Closing Date, the Purchaser shall have the sole responsibility to obtain all documents pertaining to the Mortgage Loan or REO Property, as the case may be, then in the possession of any such counsel and to determine the appropriate direction and strategy for such litigation or other legal proceeding. The Seller agrees to cooperate and use reasonable efforts to assist the Purchaser in obtaining the release of such documents to the Purchaser. The Purchaser acknowledges that its failure to comply with the provisions of this Section 2.11 may affect the Purchaser's rights in any such litigation or other legal proceeding (and may result, without limitation, in dismissal with prejudice or the running of any statute of limitations). If the Purchaser fails to comply with the above requirements (i) through (iii), the Seller may, but is not obligated to, take such actions as it deems necessary to effectuate the provisions of this Section 2.11. Notwithstanding the foregoing, this Section 2.11 shall not apply to any litigation in which the Seller is named as a party defendant.

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(b) Any costs and legal fees incurred by the Seller in connection with such litigation or other legal proceeding from and after the Cut-off Date, including without limitation any fees and costs incurred by the Seller in connection with the Purchaser's failure to comply with the above requirements, shall be reimbursed by the Purchaser and the Purchaser hereby indemnifies the Seller therefor. If, after the Closing Date, either party receives an invoice for any legal fees and costs incurred in connection with such litigation or other legal proceeding that are payable by the other party, then the party receiving such invoice shall promptly forward such invoice to the other party and such other party shall pay directly or, in the event the party receiving such invoice has paid the amounts due thereon, reimburse the party receiving the invoice promptly, but not later than ten (10) Business Days following receipt of such invoice.

(c) If the Purchaser shall receive any pleadings relating to any Mortgage Loan or REO Property that name the Seller as a party, then immediately following receipt of any such pleadings the Purchaser shall notify the Seller thereof and promptly deliver copies of such pleadings to the Seller and otherwise comply with the provisions of this Section 2.11.

Section 2.12 Unreimbursed Advances.  
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Amounts paid by the Seller either pursuant to an agreement with a Mortgagor or as part of the administration and servicing of a Mortgage Loan from the Seller's own funds in payment of real estate taxes, insurance premiums, ground lease rents or other similar costs attributable to the Mortgaged Property, including without limitation Escrow Advances, which are an obligation of the Mortgagor but have not been paid by the Mortgagor prior to the Closing Date shall be either added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable. The right to receive repayment from the Mortgagor of such amounts after the Closing Date shall be transferred to the Purchaser.

Section 2.13 Pending Loan Modifications.  
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(a) The Purchaser acknowledges and agrees that, after the Cut-off Date and prior to the Closing Date, the Seller may continue to negotiate or consummate Pending Loan Modifications and, until the Bid Information Date, may enter into negotiations with Mortgagors that may result in Pending Loan Modifications, consistent with past practice, provided, however, that the Seller

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shall not, on or after the Bid Information Date, enter into any loan modification other than a modification shown on the Pending Loan Modification Schedule as of the Bid Information Date without the consent of the Purchaser. The modification documents used to consummate any Pending Loan Modification shall substantially conform with the description set forth in the Pending Loan Modification Schedule. The Seller makes no representation or warranty as to whether any or all of the Pending Loan Modifications will be consummated.

(b) There shall be added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable, the amount of funds advanced to Mortgagors pursuant to Pending Loan Modifications that have been consummated prior to the Closing Date as reflected on the Pending Loan Modifications Schedule updated to the Closing Date.

(c) As of the Closing Date, the Purchaser shall assume the rights and obligations of the Seller with respect to ongoing negotiations with Mortgagors and the consummation of Pending Loan Modifications and the advancement of any funds required thereunder.

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Section 2.14 Delinquent Real Estate Taxes and Assessments.  
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The Purchaser shall be responsible for the payment of all delinquent real estate taxes and assessments existing as of the Closing Date with respect to any Mortgaged Property, and any penalties and interest thereon, provided, however, that the Seller shall reimburse the Purchaser for any and all such payments made by the Purchaser after the Purchaser has paid in the aggregate \$211,000 for such payments, promptly upon receipt from the Purchaser of a statement therefor.

Section 2.15 Continuing Cooperation; Subsequent  
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Documentation.  
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At any time, and from time to time after the Closing Date, upon the reasonable request of either party hereto, and at the expense of such party, the other party shall do, execute, acknowledge and deliver, and shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required in order to accomplish any provision herein, including without limitation the assignment of any financing statements, guarantees and the like. In addition, in the event that the Seller determines subsequent to the Closing Date that it needs access to any documents relating to a Mortgage Loan or REO Property for accounting, tax, litigation or other purposes, the Purchaser shall promptly provide copies of such documents to the Seller, to the extent in the Purchaser's possession, and at the Seller's expense.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Section 3.01 General Representations and Warranties of the  
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Seller.  
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The Seller represents and warrants to the Purchaser that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Seller is a federal savings bank, duly chartered, validly existing and in good standing under the federal laws of the United States.

(ii) Authorization; Binding Obligation. The Seller has the corporate power and authority to hold each Asset, to sell each Asset, to execute, deliver and perform this Agreement, and to enter into and consummate all transactions contemplated by this Agreement. The Seller has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(iii) No Conflict. The consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law,

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rule, regulation, order, judgment or decree to which the Seller or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement.

(iv) No Litigation. Except for unlawful detainer actions and

actions under the United States Bankruptcy Code against a tenant of a Property or involving a Mortgagor and receivership proceedings with respect to a Mortgaged Property, and except as set forth in Schedule

3.01(iv) hereto, there is no action, suit proceeding or investigation

pending or, to the Seller's knowledge, threatened against the Seller or relating to any Asset, which challenges, relates to, or adversely affects the right, title or interest of the Seller in or to such Asset or, if determined adversely to the Seller, would prevent the consummation of the sale of such Asset to the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization

or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

(vi) Foreign Person. The Seller is not a foreign person

within the meaning of Section 1445(f) of the Internal Revenue Code, and the Seller agrees to execute any and all documents necessary or required by the Internal Revenue Service in connection with such declaration.

Section 3.02 Representations and Warranties as to the  
Mortgage Loans.

The Seller hereby represents and warrants to the Purchaser that, as of the Closing Date:

(i) True Information. The information set forth on the

Mortgage Loan Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and the related Mortgage Loan appears on the Mortgage Loan Schedule.

(ii) Ownership. The Seller has good title to, and is the sole

owner of, each Mortgage Loan Asset, free and clear, except as set forth on the Mortgage Loan Schedule, of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance.

(iii) Full Disbursement. Each Mortgage Loan has closed and

the proceeds of each Mortgage Loan have been fully disbursed and there is no requirement for future advances to the Mortgagor thereunder except as described in the Pending Loan Modification Schedule. For purposes hereof, capitalization of interest pursuant to a negative amortization provision shall not be deemed to be an "advance" to the Mortgagor, and any Escrow Payments shall be deemed fully disbursed.

(iv) First Lien. In the case of each Mortgage Loan, the

related Mortgage has been properly recorded and is a valid first lien on the related Mortgaged Property, including all improvements on such Mortgaged Property,

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securing the amounts owed on the related Mortgage Note, subject only to Permitted Encumbrances and delinquent real estate taxes and assessments. The Seller makes no representation or warranty with reference to the perfection or priority, under the Uniform Commercial Code, of any security interest in personal property. Any delinquent taxes and assessments with respect to a Mortgaged Property are payable, with appropriate penalties and interest, and provided such payment is made, the Mortgaged Properties shall not be forfeited.

(v) No Modification. The terms of the Mortgage Notes or the

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Mortgages have not been altered, modified or waived by Seller in any respect, except by a written instrument contained in the Loan Documents in the Investors' Review Files (and recorded in the case of a Mortgage, if necessary, in order to maintain the first priority lien thereof) or as set forth in the Pending Loan Modification Schedules or Schedule 2.07(a)(ii).

(vi) Title Insurance. Each Mortgage Loan is covered by an

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ALTA lender's title insurance policy, or other form of title insurance policy generally acceptable to prudent institutional lenders, issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring, subject only to exceptions described in such policy, the Seller, its successors and assigns as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan. The title insurance policy is in full force and effect and will be in full force and effect on the Closing Date and will inure to the benefit of the Purchaser without any further act. To the best of the Seller's knowledge, no claims have been made under any such title insurance policy.

(vii) Hazard Insurance. Each Mortgage securing a Mortgage

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Loan requires the Mortgagor thereunder to maintain a fire and other hazard insurance policy covering such losses as are covered under a standard extended coverage endorsement with mortgagee rights and protections customary for mortgage lending practices in the locality in which the Mortgaged Property is located, and, to the extent required as of the date of origination of such Mortgage by the Seller consistent with its normal mortgage lending practice, against other risks insured against by persons operating like properties in the locality of the Mortgaged Property.

(viii) No Release. No Mortgage Note or Mortgage has been

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satisfied, canceled, subordinated to another mortgage or rescinded, in whole or in part, and no Mortgaged Property has been released from the lien of the related Mortgage, in whole or in part, except to the extent that any related Mortgaged Properties have become REO Properties prior to the Closing Date.

(ix) Compliance with Laws. With respect to each Mortgage

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Loan, there is no material violation by the Seller of any law pertaining to usury, truth-in-lending, consumer credit protection, equal credit opportunity or any similar law applicable to the origination of such Mortgage Loan at the time it was made, which violation would give rise to a valid defense on the part of the Mortgagor that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

(x) No Defenses. Except as described in Schedule 3.01(iv)

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hereto, no Mortgage Loan is subject to any valid right of rescission, set-off, abatement

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or diminution, or any valid counterclaim or defense that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

(xi) Enforceability. Each Mortgage Note and Mortgage is

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genuine and constitutes the legal, valid and binding obligation of the obligor thereunder, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and each contains provisions customary among prudent institutional mortgage lenders so as to render the rights and remedies of the secured lender thereunder adequate for the realization of the material benefits of the security provided thereby.

(xii) No Cross-Collateralization. No Mortgage Loan is

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secured by any real estate collateral except the lien of the related Mortgage, an assignment of the related leases, and any related security agreement; no Mortgaged Property or REO Property secures any other mortgage loan not included in the pool of Mortgage Loans sold under this Agreement; nor is any Mortgage Loan cross-defaulted with any other mortgage loan nor is any Mortgage Loan secured by the mortgaged property which secures another mortgage loan; except that there may be additional security, cross-collateralization or cross-defaulting if all the cross-collateralized and cross-defaulted Mortgage Loans are included in the pool of Mortgage Loans sold under this Agreement and Mortgaged Properties may secure other Mortgage Loans, if the Mortgage Loans are all included in the pool of Mortgage Loans sold under this Agreement.

(xiii) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related Mortgage Loan. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

(xiv) Condemnation. To the best of the Seller's knowledge,

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there is no proceeding pending or threatened for the total or partial condemnation of any Mortgaged Property so as to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the Premises were intended.

(xv) Originator. Each Mortgage Loan was originated by the

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Seller, a subsidiary of the Seller, or a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a federal or state banking authority.

(xvi) No Fraud. There was no fraud on the part of the Seller

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with respect to the origination of any Mortgage Loan originated by the Seller.

Loan and REO Purchase Agreement (Secondary)

Section 3.03 Representations and Warranties as to the REO

Properties.

The Seller hereby represents and warrants to the Purchaser that, as of the Closing Date:

(i) True Information. The information set forth on the REO

Property Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and such REO Property does not appear on the REO Property Schedule (and the related Mortgage Loan appears on the Mortgage Loan Schedule).

(ii) Ownership and Title. With respect to each REO Property,

the Seller has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances.

(iii) No Delinquencies. There are no delinquent taxes,

ground rents, water charges, sewer rents, assessments or other similar delinquent charges adversely affecting any REO Property that gives rise to a lien thereon.

(iv) Condemnation. To the best of the Seller's knowledge,

there is no proceeding pending or threatened for the total or partial condemnation of any REO Property so as to adversely affect the value of the REO Property or the use for which the Premises were intended.

(v) Investors' Review File. To the best of the Seller's

knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related REO Property. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND  
COVENANTS OF THE PURCHASER

Section 4.01 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Seller that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Purchaser has been duly organized

and is validly existing and in good standing as a corporation under the laws of the State of Delaware.

(ii) Authorization; Binding Obligation. The Purchaser has the

corporate power and authority to execute, deliver and perform this Agreement and to enter into and consummate all the transactions contemplated by this Agreement. The

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Purchaser has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding inequity or at law).

(iii) No Conflict. The consummation of the transactions

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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

(iv) No Litigation. There is no action, suit proceeding or

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investigation pending or, to the Purchaser's knowledge, threatened against the Purchaser, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization

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or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents. The Purchaser acknowledges and agrees that the Seller makes no representations or warranties, and there can be no assurances, as to whether or not the Post-Closing Consents will be obtained or as to the time and expense required to obtain such Post-Closing Consents. The Seller shall cooperate with the Purchaser and make every reasonable effort to obtain the Post-Closing Consents, provided,

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however, that the costs of obtaining the Post-Closing Consents and the  
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risk of any failure to obtain the Post-Closing Consents shall be borne by the Purchaser.

(vi) Decision to Purchase. The Purchaser is a sophisticated

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investor and its bid and decision to purchase the Assets are based upon its own independent expert evaluations of the Due Diligence Materials and other materials deemed relevant by the Purchaser and its agents. The Purchaser has had an opportunity to examine the Properties and hereby accepts the physical condition and state of repair thereof. The Purchaser hereby expressly acknowledges that it is fully aware of the physical condition and state of repair of the Properties and has inspected the Properties to the extent it has deemed necessary and agrees to purchase the Assets taking into account the related Properties in their "as is" condition "with all faults" as of the Closing Date (including, with respect to Condominium Units and REO Condominium Units, the "as is" condition "with all faults" of the related Condominium Project), except to the extent that the Seller has expressly made a representation or warranty in this Agreement. The Purchaser is entering into this Agreement based solely upon such evaluations and inspections, and has not relied

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upon any oral or written information or any representations or warranties whatsoever from the Seller or any of its respective employees, affiliates, agents or representatives, other than the representations and warranties of the Seller expressly contained herein. WITHOUT LIMITATION OF THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES EXCEPT AS EXPRESSLY CONTAINED IN THIS AGREEMENT, AS TO THE MORTGAGORS, THE PROPERTIES (INCLUDING, WITHOUT LIMITATION, THE VALUE, MARKETABILITY, CONDITION OR FUTURE PERFORMANCE THEREOF, THE EXISTENCE OF ANY LEASES OR THE STATUS OF ANY TENANCIES OR OCCUPANCIES WITH RESPECT THERETO, THE APPLICABILITY OF ANY RENT CONTROL OR RENT STABILIZATION LAWS, OR THE COMPLIANCE OR LACK OF COMPLIANCE THEREOF WITH ANY LAWS, INCLUDING WITHOUT LIMITATION ENVIRONMENTAL AND LAND USE OR OCCUPANCY LAWS) OR OTHERWISE, AND THAT NO EMPLOYEE OR REPRESENTATIVE OF THE SELLER HAS BEEN AUTHORIZED TO MAKE ANY STATEMENTS OR REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT.

(vii) Due Diligence. The Purchaser has been urged, invited

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and directed to conduct such due diligence review and analysis of the Investors' Review Files and related information, together with such records as are generally available to the public from local, county, state and federal authorities, record-keeping offices and courts, as the Purchaser deemed necessary, proper or appropriate in order to make a complete informed decision with respect to the purchase and acquisition of the Assets. The Purchaser acknowledges that it has had the opportunity to conduct legal, environmental, on-site and other appropriate due diligence as to each Asset. The Purchaser acknowledges that certain of the Properties were in the geographical area affected by the Northridge Earthquake, and that certain Mortgagors have received loans to repair damage caused by the Northridge Earthquake, some of which loans are unsecured, or secured by liens subordinate to the related Mortgage, and that such unsecured or subordinate loans are not being transferred to the Purchaser. The Purchaser represents that it has conducted its due diligence with full consideration of the foregoing.

(viii) Economic Risk. The Purchaser acknowledges that the

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Assets may have limited or no liquidity and the Purchaser has the financial wherewithal to own the Assets for an indefinite period of time and to bear the economic risk of an outright purchase of the Mortgage Loans and a total loss of the Purchase Price for the Assets.

(ix) Nondisclosure. The Purchaser is in full compliance with

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its obligations under the terms of any confidentiality agreement executed by the Purchaser to review the information made available by Seller to all potential buyers of the Assets, and the Purchaser acknowledges that any such agreement is not superseded or abrogated by this Agreement, including without limitation as to (a) any liability incurred by the Purchaser for any non-compliance prior to the date of this Agreement or (b) any Assets reviewed by the Purchaser but not acquired by the Purchaser.

(x) Assistance of Third Parties. The Purchaser hereby agrees

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and acknowledges that the Seller shall have no responsibility or liability to the Purchaser

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arising out of or related to any third parties' failure to assist or cooperate with the Purchaser except with respect to the Seller's own employees. In addition, the Purchaser is not relying upon the continued actions or efforts of the Seller (except as specifically set forth herein) or any third party in connection with its decision to purchase the Assets. The risks attendant to the potential failure or refusal of third parties to assist or cooperate with the Purchaser and/or the Seller in the effective transfer and assignment of the Assets, and/or related Properties shall be borne by the Purchaser.

(xi) Enforcement/Legal Actions. The Purchaser shall not

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institute any enforcement or legal action or proceeding in the name of the Seller. The Purchaser shall not, except where circumstances reasonably require revealing the purchase of the Assets from the Seller, make reference to the Seller in any correspondence to or discussion with any particular Mortgagor regarding enforcement or collection of the Assets or sale, rental or other disposition of any of the Properties. The Purchaser shall not misrepresent, mislead, deceive, or otherwise fail to adequately disclose to any particular obligor or guarantor the identity of the Purchaser, the owner of the Assets and possession of the Loan Documents. Except as specified above, the Purchaser shall not use the Seller's name, or any name derived therefrom or confusingly similar therewith in connection with the Purchaser's enforcement, collection, or management of the Assets. The Purchaser agrees and acknowledges that there may be no adequate remedy at law for a violation of the terms of this subsection, and the Seller shall have the right to seek the entry of an order by a court of competent jurisdiction enjoining any violation hereof.

(xii) Indemnification of Mortgage Trustee. Purchaser shall

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indemnify, defend and hold Gateway Mortgage Company, a subsidiary of the Seller ("Gateway"), and its officers, directors, employees,

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agents, affiliates, successors and assigns (each a "Gateway

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Representative") harmless from and against any and all Claims based

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upon, arising from or relating to Gateway's or any Gateway Representative's acts or omissions as trustee of any Mortgage from the Closing Date until the date on which Gateway no longer serves as the trustee of such Mortgage; provided that such obligation to indemnify, defend and hold harmless shall apply only to Claims asserted against the Purchaser and Gateway or any Gateway Representative concurrently by the party making the Claim and shall not apply to the gross negligence or willful misconduct of Gateway or a Gateway Representative. Gateway or the Gateway Representative shall promptly notify the Purchaser of any such Claim and the Purchaser shall have the right to assume the defense with respect thereto and control the defense thereof with counsel of the Purchaser's reasonable choice. If the Purchaser elects not to assume such defense, Gateway or the Gateway Representative shall assume the defense of such Claim, and the Purchaser shall reimburse Gateway or the Gateway Representative for its reasonable out-of-pocket legal fees and expenses and costs of investigation with respect to such Claim as the same are incurred. In no event shall Gateway or the Gateway Representative consent to the settlement of any Claim with a third party without the prior written consent of the Purchaser. It is the intent of the Seller and the Purchaser that the obligations of the Purchaser under this subsection shall survive the Closing and the transfer of servicing of the Mortgage Loans, and that Gateway be a third party beneficiary to the provisions of this subsection.

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ARTICLE V

SPECIAL REPRESENTATIONS, WARRANTIES AND  
COVENANTS CONCERNING STRUCTURAL DEFECTS AND ENVIRONMENTAL HAZARDS; REMEDIES

Section 5.01 Structural Defects.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section, all of the Structural Defects, if any, in any Property which are not disclosed in the Investors' Review File for the related Mortgage Loan or REO Property, or otherwise disclosed in writing to the Purchaser on or before the Bid Information Date, would not, in the aggregate for such Property, require for their restoration or repair, an amount in excess of the Cure Threshold for such Property.

Section 5.02 Environmental Hazards.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section and in the following sentence, there is no Environmental Hazard in, on or under any Property which would require for its remediation an amount in excess of the Cure Threshold for such Property. No representation or warranty is made with respect to any Property on which the Premises consist of a single family residence.

Section 5.03 Certificate of Structural Defect.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.01 because there is an undisclosed Structural Defect, the Purchaser shall deliver to the Seller a notice and certificate of structural defect ("Notice of Defect"). A Notice of

Defect shall (i) identify the Mortgaged Property or REO Property which the Purchaser contends has a Structural Defect, (ii) describe the claimed Structural Defect in detail, (iii) include a report from a licensed structural engineer describing the claimed Structural Defect, (iv) include such licensed structural engineer's (A) estimate of the cost to cure such Structural Defect and the repairs to be made, listing materials and component items (the "Cure Estimate"),

or (B) statement that the Structural Defect cannot be cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the Purchaser and such licensed structural engineer to determine that a Structural Defect exists and to prepare the Cure Estimate. The Notice of Defect shall be signed by an officer of the Purchaser.

Section 5.04 Certificate of Environmental Hazard.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.02, the Purchaser may deliver to the Seller a notice and certificate of environmental hazard ("Notice of

Hazard"). A Notice of Hazard shall (i) identify the Mortgaged Property or REO Property which the Purchaser contends has an Environmental Hazard, (ii) describe the claimed Environmental Hazard in detail, (iii) include a report from a Registered Professional Engineer or a Registered Engineering Geologist with substantial expertise in environmental matters (an "Environmental Engineer")

describing the claimed Environmental Hazard, (iv) include such Environmental Engineer's (A) estimate of the cost to cure such Environmental Hazard and the repairs to be made, listing materials and component items (the "Cure Estimate"),

or (B) statement that the Environmental Hazard cannot be cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the

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Purchaser and such Environmental Engineer to determine that a Environmental Hazard exists and to prepare the Cure Estimate. The Notice of Hazard shall be signed by an officer of the Purchaser.

Section 5.05 Limitations.  
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(a) The representations and warranties in Section 5.01 and Section 5.02 shall terminate and be of no further effect on the earlier of (i) the sixtieth calendar day following the Closing Date, and (ii) the acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by the Purchaser, and no Notice of Defect or Notice of Hazard given by the Purchaser to the Seller after the close of business on that date shall have any force or effect, unless that time has been extended as provided in Section 5.05(b).

(b) Only one Notice of Defect and one Notice of Hazard may be given for any Mortgaged Property or REO Property. If, after diligent and good faith efforts (including without limitation, requesting the assistance of the Seller) to gain access to a Mortgaged Property or an REO Property in order to obtain the report or assessment described in Section 5.01 or 5.02, the Purchaser is unable to gain such access prior to the forty-fifth calendar day following the Closing Date, the date referred to in Section 5.05(a)(i) shall be extended for one day for each day of delay in gaining such access up to a maximum of thirty (30) additional days.

Section 5.06 Seller's Options.  
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Upon receipt of a Notice of Defect or Notice of Hazard, given on or prior to the sixtieth calendar day following the Closing Date (or such extended date as is provided for in Section 5.05(b)), the Seller shall have the following options as to the Mortgage Loan or REO Property to which it relates, to be exercised within sixty (60) days after the Notice of Defect or Notice of Hazard:

(i) The Seller may repurchase the related Asset under the terms of Article VI, without reference to the cure provisions of Article VI.

(ii) The Seller may give notice to the Purchaser that the Seller disputes the accuracy of the Cure Estimate. If the Seller gives such notice, the Purchaser shall, within fifteen (15) days, obtain a second bid for the work from licensed contractors that are independent from those that prepared the Cure Estimate, and deliver such bid to the Seller. The Seller shall, within such period, obtain a third bid for the work from licensed contractors and shall then reimburse the Purchaser, by depositing in an escrow account as described in subsection (iii) below, an amount equal to the average of the two lowest bids among the Cure Estimate, the second bid and the third bid, less (except in the case of a Lead Paint Hazard) the Cure Threshold amount.

(iii) The Seller may give notice that if the Purchaser cures the claimed Structural Defect, or remediates the claimed Environmental Hazard, as the case may be, the Seller will reimburse the Purchaser for the Purchaser's actual costs above the Cure Threshold amount. If the Seller gives such notice, the Seller will forthwith deposit into an escrow account, jointly controlled by the Purchaser and the Seller, the difference between the Cure Threshold amount and the Cure Estimate (or in the case of a Lead Paint Hazard, the full amount of the Cure Estimate). Upon completion of the cure or remediation (performed as contemplated by the Cure Estimate), the Seller shall pay the Purchaser the

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difference between the Cure Threshold amount and the actual costs of cure or remediation (or , in the case of a Lead Paint Hazard, the actual costs of cure or remediation) by disbursement to the Purchaser of the amount held in escrow and further payment by the Seller to the extent the amount held in escrow is insufficient. Any balance of the escrow account after such payment to the Purchaser shall be returned to the Seller.

(iv) The Seller may give notice accompanied by written information showing the basis of its assertion that it asserts (A) the claimed Structural Defect was disclosed to the Purchaser on or prior to the Bid Date, or (B) the claimed condition in whole or part does not meet the definition of Structural Defect or of Environmental Hazard. If the Seller gives such notice, all of the rights, obligations and time periods provided in this Article V shall be preserved and extended until all issues with respect to the disclosure or existence of the claimed Structural Defect or Environmental Hazard are resolved.

(v) If the Seller makes no election within the time provided, the Seller shall repurchase the related Asset under the terms and subject to the limitations of Article VI, without reference to the cure provisions of Article VI, no later than the 45th day following the Notice of Defect or the Notice of Hazard.

Section 5.07 Environmental Risks.  
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The Purchaser acknowledges and agrees that there may be certain environmental issues and/or risks with respect to a Property (including the Premises) which may or may not be visible or apparent and which may or may not be above or below the surface thereof. Any materials relating to environmental conditions which may be in the Investors' Review File or is otherwise provided or made available by the Seller, is provided with no representations whatsoever as to the accuracy, completeness or timeliness of any information contained in such report or materials, or the expertise with which they were prepared. The Purchaser acknowledges that the Seller has not prepared or warranted such information, and that the Seller shall have no liability whatsoever in connection with such report or materials.

Section 5.08 Purchaser's Release of Seller.  
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The Purchaser, for itself, its successors and its assigns, hereby releases and discharges the Seller and its officers, directors, employees, successors and assigns from and against any and all claims, demands, liabilities, obligations, damages, actions, causes of action, judgments, liens, bonding requirements, losses, expenses, fines, charges, penalties, administrative and judicial proceedings and orders, and enforcement actions of every kind, including attorneys' fees and court costs ("Claims"), known or -----  
unknown, present or future, fixed or contingent, against the Seller at any time by reason of or arising out of the violation of the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws by any Person, or the presence of hazardous materials on any Property. Nothing in this Section 5.08 is intended to alter any obligation of Seller under the warranty contained in Section 5.02.

The Purchaser, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released in this Section 5.08 are not limited to matters that are known or disclosed, and the Purchaser hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the Civil Code

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of the State of California (or any other statute or common law principles of similar effect), which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

In this connection, the Purchaser hereby agrees, represents, and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims that are presently unknown, unanticipated, and unsuspected, and it further agrees, represents, and warrants that this release has been negotiated and agreed upon in light of that realization and it nevertheless hereby intends to release, discharge, and acquit the Seller and its officers, directors, employees, successors and assigns from any such unknown Claims described in the first paragraph of this Section 5.08.

ARTICLE VI

REMEDIES

Section 6.01 Breach of the Seller's Representations and  
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Warranties; Non-delivery of Documents; Cure; Repurchase.  
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Upon discovery by the Purchaser of (i) a breach of any of the representations and warranties contained in Article III with respect to an Asset for which a good faith estimate of the cost to cure such breach exceeds the Cure Threshold or (ii) the Seller's failure to deliver any document described in Section 2.03(iv)-(ix) and Section 2.04(ii)-(vii), the Purchaser shall give the Seller prompt written notice of such breach or non-delivery specifying in detail such breach or non-delivery and, in the case of a breach, the basis for the estimate of the cost to cure such breach. Such notice shall be given, in the case of any such breach, not later than one (1) day prior to the day on which the Seller's obligation to repurchase such Asset terminates pursuant to Section 6.02 or, in the case of any such non-delivery of documents, not later than twenty (20) Business Days after the termination of the Servicing Agreement or any subsequent servicing agreement between the Seller and the Purchaser with respect to the related Mortgage Loan or REO Property, if there is such a servicing agreement, or twenty (20) Business Days after the Closing Date, if there is no such servicing agreement. The Seller shall have a period of sixty (60) days from the date it receives such notice from the Purchaser to correct or cure such breach or non-delivery. With respect to any breach, if, at the expiration of such sixty (60) day period, the Seller has not cured or corrected such breach but has made reasonable progress toward effecting a cure or correction and the Seller in good faith believes that such breach can be cured or corrected within a reasonable period of time following the expiration of such sixty (60) day period, then the Seller shall give notice thereof to the Purchaser and shall have a reasonable additional period of time to cure or correct such breach; provided, however, that in no event shall such additional

period of time extend beyond ninety (90) days following the expiration of the initial sixty (60) day period. If the Seller does not cure such breach or non-delivery within the time periods referred to in the prior two sentences of this Section 6.01 or, if at any earlier time it becomes reasonably determinable by the Seller that such breach or non-delivery cannot be cured or corrected and the Seller so notifies the Purchaser, then upon notice by the Purchaser to the Seller given not later than twenty (20) Business Days after the expiration of the period or periods of time to cure or correct (or such earlier notice from the Seller), the Seller shall repurchase from the Purchaser at the Repurchase Price the Asset with respect to which such breach or non-delivery relates in accordance with Section 6.03.

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Failure by the Purchaser to give any of the notices specified above within any of the periods specified above shall terminate the Seller's obligations under this Section 6.01 with respect to the related Asset. Furthermore, the foregoing shall not be interpreted to limit in any manner the Seller's right to dispute the existence of any breach or non-delivery specified by the Seller in any such notice.

It is understood and agreed that the remedies contained in this Section 6.01 shall be the sole and exclusive remedies of the Purchaser in connection with any breach by the Seller of the representations and warranties contained in Article III.

Section 6.02 Termination of the Seller's Obligation to  
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Repurchase.  
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The Seller's obligations to repurchase any Asset pursuant to Section 6.01, Article V and Section 2.06(d) shall terminate upon the earlier of (A) one hundred eighty (180) days from the Closing Date (or the earlier date provided in Section 2.06(d) or Article V), except to the extent any notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving the Seller's obligation to repurchase such Asset has previously been given by the Purchaser to the Seller as required prior thereto, and (B) the first to occur of the following events, whether or not notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving the Seller's obligation to repurchase such Asset has previously been given to the Seller:

(i) Any material alteration, modification or waiver of the terms of the related Mortgage Loan, Mortgage Note or Mortgage. Without limitation, it shall be deemed material to modify the Mortgage Loan by extending the maturity date for one year or more, reducing the interest rate by one percentage point or more, reducing the principal balance by ten percent or more, releasing any real property from the Mortgage, or any guaranty or surety, other than as required, and reducing the installment payment amounts such that the Mortgage Loan begins to negatively amortize. Forbearance for four months or less shall not be deemed a material modification.

(ii) The payment in full by Mortgagor or any guarantor or surety, satisfaction, cancellation, release, discharge, subordination or rescission of the related Mortgage Loan, Mortgage Note or Mortgage.

(iii) The transfer of title to the related REO Property or the transfer of the related Mortgage Loan, Mortgage Note or Mortgage, unless such transfer is to an affiliate of the Purchaser.

(iv) The condemnation of, or a casualty with respect to, the related Property or a material part thereof, except as provided in Section 6.05.

(v) The taking of any action or any inaction by the Purchaser that would subject the related Mortgage Loan to any valid right of rescission, set-off, abatement or diminution, or any valid counterclaim or defense that would prevent the Seller from foreclosing upon the Mortgaged Property.

(vi) The acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by Purchaser.

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Section 6.03 Transfer of Mortgage Loan Asset and Mortgage

Loan File Upon Repurchase.

Any repurchase of a Mortgage Loan Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall (i) deliver to the Seller all originals and copies of the related Loan Documents and any other documents that were delivered to the Purchaser pursuant to this Agreement regarding such Mortgage Loan, together with any subsequent documents or records pertaining to such Mortgage Loan, as well as to the foreclosure or repossession of the Mortgaged Property; (ii) transfer, convey or assign to the Seller the Mortgage Loan Asset in the same manner as such Mortgage Loan Asset was transferred and assigned from the Seller to the Purchaser by documentation in the same form as that delivered from the Seller to the Purchaser and endorsed, where applicable as follows: "Pay to the order of Fidelity Federal Bank, F.S.B. without recourse" or such other documentation which may be necessary to effect the transfer from the Purchaser to the Seller; and (iii) assign and deliver all escrow accounts and amounts that represent collected and undisbursed impound or escrow funds received by the Purchaser on or after the Closing Date, if any, less any amounts representing negative escrow balances, if any, funded by the Purchaser on or after the Closing Date together with evidence thereof acceptable to the Seller; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.02(ii), the Purchaser has good title to, and is the sole owner of, such Mortgage Loan Asset, free and clear of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance. All amounts paid over to the Seller hereunder shall be without payment of interest thereon.

Section 6.04 Transfer of REO Asset Upon Repurchase.

Any repurchase of an REO Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall: (i) convey any such REO Asset to the Seller by means of a quitclaim deed (or its equivalent under the law of the state where the related REO Property is located) delivered to the Seller; (ii) execute and deliver all other documents necessary to reconvey to the Seller all right, title and interest in and to such REO Asset, including, without limitation, assignment and assumption agreements with respect to any leases and keys; (iii) deliver to the Seller all originals and copies of the documents that were delivered to the Purchaser pursuant to this Agreement regarding such REO Property, together with any subsequent documents or records pertaining to such REO Property as well as to any eviction proceedings related thereto; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.03(ii), with respect to each REO Asset being reconveyed, the Purchaser has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances. All amounts paid over to the Seller hereunder shall be without payment of interest thereof. The Seller shall promptly after the repurchase of any REO Asset record the related deed and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with any repurchase of REO Assets.

Section 6.05 Risk of Loss.

The risk of loss to a Property to be repurchased under Article VI remains with the Purchaser until the repurchase is consummated, provided, however, that if after the Seller has received written notice that the Purchaser will require the Seller to repurchase a specific Asset the related Property suffers an Insured Loss, the Seller shall repurchase such Asset and the Purchaser shall assign to the Seller the proceeds of the insurance covering the Insured Loss.

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Section 6.06 Breach of the Purchaser's Representations and  
Warranties.  
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The remedies of the Seller for any breach by the Purchaser of its representations and warranties contained in Article IV shall be those provided by applicable law.

Section 6.07 Distribution of Deposit and Remedies if No  
Closing.  
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In the event that the purchase and sale transaction of the Assets contemplated in this Agreement does not close by the Closing Date and such failure to close results from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing, the Deposit shall be irrevocably forfeited as liquidated damages.

THE PURCHASER AND THE SELLER AGREE THAT, IN THE EVENT OF SUCH FAILURE, THE SELLER'S ACTUAL DAMAGES MIGHT BE DIFFICULT TO ASCERTAIN BECAUSE OF UNCERTAINTIES IN THE MARKET FOR THE ASSETS AND POTENTIAL FLUCTUATIONS OVER TIME OF THE VALUE OF THE SAME, AND THAT THE DEPOSIT CONSTITUTES A GOOD FAITH REASONABLE ESTIMATE OF THE ACTUAL DAMAGES TO BE INCURRED BY THE SELLER AND THEREFORE THAT THE AMOUNT OF THE DEPOSIT IS REASONABLE AS LIQUIDATED DAMAGES FOR THE BENEFIT OF THE SELLER AND THE PURCHASER IN SUCH EVENT.

/s/ /s/  
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Initials of the Purchaser Initials of the Seller

If such failure to close does not result from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing, then the Seller shall pay to the Purchaser the full amount of the Deposit by wire transfer in immediately available funds to the account specified by the Purchaser within three (3) days of the date specified in this Section 6.07 or such earlier date by which the parties have mutually determined that the Closing shall not occur.

Notwithstanding the foregoing, in the event that the Deposit is not received by the Deposit Escrow Agent as provided in Section 2.01, all of the rights and remedies of the Seller shall be expressly preserved and shall remain unimpaired and unaffected.

The Seller and the Purchaser will select a mutually acceptable Closing Date if the Closing does not occur by July 29, 1994, which date shall be as close to July 29, 1994, as reasonably possible. However, if the Closing Date is postponed beyond September 30, 1994 for any reason, the Seller and the Purchaser shall negotiate a mutually acceptable adjustment to the Purchase Price

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ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 Conditions Precedent To Be Performed by the  
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Seller.  
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As a condition to the obligations of the Purchaser to purchase the Assets, the Seller shall deliver or cause to be delivered to the Purchaser on or before the Closing Date the following documents:

(i) an officer's certificate of the Seller, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Seller authorizing its sale of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Seller, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Seller on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Seller, dated as of the Closing Date, to the effect that: (a) the Seller is a federal savings bank, duly chartered, validly existing and in good standing under the federal laws of the United States; (b) this Agreement has been duly authorized, executed and delivered on the part of the Seller and, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement; (d) except as described on a schedule to the Agreement, there is no action, suit, proceeding or investigation pending or threatened against the Seller or relating to any Asset and known to such counsel, which, if determined adversely to the Seller, would prevent the consummation of the sale of the Assets to the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

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Section 7.02 Conditions Precedent To Be Performed by the

Purchaser.

As a condition to the obligations of the Seller to sell the Assets, the Purchaser shall deliver or cause to be delivered to the Seller on or before the Closing Date the following documents:

(i) an officer's certificate of the Purchaser, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Purchaser authorizing its purchase of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Purchaser, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Purchaser on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Purchaser, dated as of the Closing Date, to the effect that: (a) the Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) this Agreement has been duly authorized, executed and delivered on the part of the Purchaser and, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transaction contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement; (d) there is no action, suit, proceeding or investigation pending or threatened against the Purchaser and known to such counsel, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

Section 7.03 Additional Condition Precedent.

The obligations of the Seller and the Purchaser under this Agreement shall be subject to and conditioned upon the consummation of the issuance and sale of the Class A Common Stock, par value \$.01 per share, and the Class C Common Stock, par value \$.01 per share, pursuant to the Offering Circular filed with the Office of Thrift Supervision prior to the date hereof on substantially the terms described therein.

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ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01 Governing Law; Jurisdiction; Consent to Service  
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of Process.  
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This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, United States of America. Each of the parties hereto hereby irrevocably (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the federal courts of the United States of America for the Central District of California for the purpose of any action or proceeding relating to this Agreement; (ii) waives, to the fullest extent permitted by law, the defense of an inconvenient forum in any action or proceeding in any such court; (iii) agrees that a final judgment in any action or proceeding in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and (iv) consents to service of process upon it by mailing a copy thereof by certified mail addressed to it and its counsel as provided for notices hereunder.

Section 8.02 Hart-Scott-Rodino.  
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The Purchaser and the Seller agree to cooperate in connection with the preparation, signing and filing of any documents which counsel to the Purchaser or the Seller advises are necessary under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and each acknowledge and agree that the Closing Date shall be postponed, to the extent necessary, to comply with the requirements of such Act, if applicable to the transactions contemplated herein.

Section 8.03 Confidentiality.  
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Neither party to this Agreement (or employee or agent under its control) shall without the prior written consent of the other disclose to any third party any information regarding this Agreement or the transactions contemplated herein, except to the extent that such disclosure is (i) required to effect the transactions contemplated herein, (ii) made to an affiliate of the Purchaser, (iii) required by law or regulation, (iv) necessary to permit the audit of the accounts of a party hereto, (v) made to notify a third party of the ownership of the Asset by the Purchaser, without disclosing other terms of this Agreement, or (vi) made in order to initiate, defend or otherwise pursue legal proceedings between the parties regarding this Agreement or the transactions contemplated hereby. The Purchaser shall preserve the confidentiality of any confidential information relating to the Mortgagors. This Agreement shall not, and no memorandum or other document relating to this Agreement shall, be recorded without the prior written consent of the Seller.

Section 8.04 Broker's Fees.  
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In the event that any REO Property is subject to a listing agreement between the Seller and a broker, the Seller shall be solely responsible for the payment of any fee, commission or other compensation payable pursuant to any such listing agreements based upon a sale of such REO Property to the Purchaser.

Section 8.05 Notices.  
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Any notices or other communications permitted or required hereunder shall be in writing and shall be personally delivered or mailed by certified mail, postage prepaid, and return

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receipt requested or transmitted by telex, telegraph or facsimile and confirmed by a similar mailed writing, to the following addresses, or such other address as may hereafter be furnished in writing:

- (i) in the case of the Seller,  
Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: James F. Barnett  
Senior Vice President,  
Credit Administration

Facsimile: (818) 549-3002

with a copy to:  
Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard  
Glendale, California 91209  
Attention: Frederick I. Fox, Esq.

Facsimile: (818) 549-3773

- (ii) in the case of the Purchaser,

EMC Mortgage Corporation  
222 West Las Colinas Boulevard  
Irving, Texas 75039  
Attention: Edward Raice and Ralene Ruyle

Facsimile: (214) 444-2880

with a copy to:

Stroock & Stroock & Lavan  
7 Hanover Square  
New York, New York 10005  
Attention: Starr Tomczak

Facsimile: (212) 806-6006

Notices shall be effective on receipt.

Section 8.06 Severability of Provisions.  
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If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Loan and REO Purchase Agreement (Secondary)  
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Section 8.07 Schedules and Exhibits.  
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The schedules and exhibits to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

Section 8.08 Waivers and Amendments.  
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This Agreement may be amended, supplemented, canceled or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 8.09 No Third Party Rights.  
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This Agreement is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than the parties hereto.

Section 8.10 Successors and Assigns.  
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This Agreement shall be binding upon and inure to the benefit of the Purchaser and the Seller and their respective successors and assigns; provided, however, that (i) notwithstanding any assignment by the Purchaser or the Seller, such party shall remain liable for its obligations hereunder, (ii) only the Purchaser or its affiliates shall be entitled to exercise any remedies against the Seller granted to the Purchaser in Articles V and VI of this Agreement, and (iii) the Purchaser shall not assign its rights under this Agreement prior to the Closing Date without the prior written consent of the Seller, in its sole discretion.

Section 8.11 Captions.  
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All section titles or captions contained in this Agreement or in the schedules and exhibits annexed hereto or referred to herein, and the table of contents to this Agreement, are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Section 8.12 Counterparts.  
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This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 8.13 Entire Agreement.  
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This Agreement (including the schedules and exhibits annexed hereto or referred to herein and the agreements executed and delivered pursuant to the terms hereof), the Confidentiality Agreement executed and delivered by the Purchaser in connection with the transactions contemplated by this Agreement, the Deposit Escrow Agreement, and the Servicing Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereby and supersede all prior agreements, written or oral, with respect thereto.

Loan and REO Purchase Agreement (Secondary)  
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Section 8.14 No Merger.

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Unless otherwise expressly provided herein, the representations, warranties, covenants and agreements shall survive the Closing, the sale of Assets contemplated hereby and the delivery of any deeds or other documents in connection herewith.

Section 8.15 Indemnification

Within nine (9) months of the Closing, if any Mortgagor initiates an action against the Purchaser and the Seller challenging the calculation of interest rate adjustments made prior to the end of the servicing period under the Servicing Agreement, the Seller shall indemnify and defend the Purchaser against all liability, reasonable costs and attorneys fees incurred in defending such action. Notwithstanding the foregoing, if the action involves a joinder of claims involving the Purchaser and the Seller, and if the Purchaser demonstrates to the reasonable satisfaction of the Seller that the Purchaser has continued to service the Mortgage Loans in the same manner as the Seller, then the Seller will also defend the Purchaser, but shall not indemnify the Purchaser, with respect to claims challenging the calculation of interest rate adjustments made after the end of the servicing period under the Servicing Agreement, in any such action initiated by a Mortgagor against the Purchaser and the Seller during the 9-month period. The Seller shall have the right to select the defense counsel so as to permit the joint representation of both the Seller and the Purchaser, provided that the Purchaser shall have the right to approve such selection, such selection not to be unreasonably withheld or delayed. The Purchaser acknowledges that Gibson, Dunn & Crutcher is approved for this purpose. The Purchaser shall have the right to consult with counsel regarding the litigation, and shall have the right to approve any settlement of the litigation, such consent not to be unreasonably withheld or delayed. The provisions of this indemnification provision are not intended to alter any existing obligations either party may have to the Mortgagors or their successors or assigns.

IN WITNESS WHEREOF, the Seller and the Purchaser have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

Loan and REO Purchase Agreement (Secondary)

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FIDELITY FEDERAL BANK, F.S.B.

By: /s/ Godfrey B. Evans

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Name: Godfrey B. Evans  
Title: Executive Vice President &  
General Consul

EMC MORTGAGE CORPORATION

By: /s/ Jonathan Ilany

-----  
Name: Jonathan Ilany  
Title: Senior Executive Vice President

By:

-----  
Name:  
Title:

Loan and REO Purchase Agreement (Secondary)

Schedule 1.01-A

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Allocated Price Schedule

Loan and REO Purchase Agreement (Secondary)

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LOAN NUMBER	PRINCIPAL BALANCE	PRICE	DOLLAR PRICE
00000000022210	51,380.00	00.9900	50,866.29
00000000026670	233,202.00	00.7699	179,549.57
000000000839035	30,239.00	00.9405	28,441.02
000000000898928	47,431.00	00.9524	45,172.73
000000000909439	70,229.00	00.9190	64,543.09
000000000983161	130,874.00	00.9586	125,454.56
000000000987828	39,490.00	00.4775	18,855.62
000000000992271	31,063.00	00.8827	27,419.25
000000001100495	38,411.00	00.4582	17,600.73
000000001106233	22,047.00	00.8540	18,828.81
000000001106257	35,609.00	00.5294	18,849.69
000000001106295	21,485.00	00.8763	18,827.31
000000001106370	17,817.00	00.9900	17,638.92
000000001106462	138,414.00	00.9128	126,343.20
000000001111129	37,871.00	00.8897	33,692.83
000000001111280	100,012.00	00.9894	98,956.72
000000001118922	81,908.00	00.9868	80,825.56
000000001121614	124,827.00	00.7315	91,316.59
000000002012270	93,182.00	00.9886	92,116.47
000000002019424	10,008.00	00.8011	8,017.07
000000002022601	1,483,224.00	00.6915	1,025,630.37
000000002038050	44,500.00	00.8036	35,760.85
000000002054595	48,438.00	00.8966	43,430.32
000000002058566	91,390.00	00.9883	90,321.79
000000002058610	124,012.00	00.8415	104,353.71
000000002074612	80,050.00	00.9780	78,292.36
000000002085391	100,178.00	00.9789	98,061.08
000000002091686	77,644.00	00.9736	75,592.38
000000002092344	71,808.00	00.9481	68,082.24
000000002120058	611,378.00	00.9909	605,831.92
000000002129000	70,897.00	00.9888	70,102.90
000000002133863	66,008.00	00.7820	51,620.90
000000002143204	189,445.00	00.6994	132,504.98
000000002163505	53,883.00	00.9900	53,344.26
000000002187761	73,799.00	00.9761	72,032.83
000000002190880	217,839.00	00.8053	175,418.56
000000002227829	122,402.00	00.9117	111,588.14
000000002240167	309,572.00	00.9632	298,181.78
000000002259772	365,077.00	00.8829	322,325.94
000000002259789	158,192.00	00.9663	152,857.89
000000002262686	171,738.00	00.8610	147,863.28
000000002265388	113,123.00	00.9908	112,087.38
000000002269267	87,763.00	00.9078	79,668.30
000000002269779	363,786.00	00.7899	287,349.76
000000002273433	481,827.00	00.9190	442,798.28
000000002275385	200,011.00	00.9554	191,085.28
000000002283997	273,275.00	00.9900	270,542.34
000000002285689	160,150.00	00.9111	145,908.49
000000002286644	227,748.00	00.6212	141,478.82
000000002290759	293,434.00	00.5947	174,502.98
000000002293697	148,337.00	00.7059	104,707.32
000000002297279	41,345.00	00.5528	22,857.49
000000002297460	39,875.00	00.4392	17,512.03

LOAN NUMBER	PRINCIPAL BALANCE	PRICE	DOLLAR PRICE
000000002299121	165,634.00	00.9900	163,977.75
000000002306579	121,931.00	00.9759	118,994.28
000000002307077	41,782.00	00.5053	21,110.47
000000002310561	200,368.00	00.8699	174,297.03
000000002310578	199,990.00	00.9555	191,085.09
000000002314648	174,776.00	00.9883	172,731.78
000000002318466	116,048.00	00.7456	86,526.99
000000002321219	151,467.00	00.5059	76,633.59
000000002321226	95,893.00	00.8649	82,940.81
000000002324904	173,093.00	00.8070	139,692.40
000000002327903	295,887.00	00.6733	199,228.55
000000002327958	294,542.00	00.6900	203,236.30
000000002332431	317,925.00	00.9520	302,667.42
000000002333182	237,439.00	00.7376	175,140.65
000000002333205	206,837.00	00.6310	130,508.50
000000002336471	225,400.00	00.5286	119,135.76
000000002341374	138,945.00	00.9075	126,096.11
000000002342902	153,973.00	00.6172	95,027.83
000000002343288	178,541.00	00.9827	175,461.02
000000002343462	97,869.00	00.6064	59,346.25
000000002344816	131,709.00	00.8317	109,548.80
000000002348795	196,023.00	00.6049	118,564.75
000000002351494	38,928.00	00.8905	34,666.85
000000002360450	72,535.00	00.9049	65,635.70
000000002364506	257,975.00	00.8897	229,527.54
000000002367420	302,480.00	00.4901	148,250.07
000000002367758	306,099.00	00.5602	171,465.15
000000002371368	286,810.00	00.6667	191,215.53
000000002371382	391,210.00	00.6119	239,388.85
000000002372897	193,349.00	00.9779	189,069.45
000000002373104	314,912.00	00.4936	155,431.93
000000002374244	160,466.00	00.9844	157,960.93
000000002375537	186,635.00	00.6808	127,068.94
000000002376288	118,642.00	00.4896	58,091.97
000000002376431	377,071.00	00.4969	187,367.91
000000002376585	333,562.00	00.5888	196,396.83
000000002377359	649,305.00	00.7996	519,212.66
000000002377366	649,442.00	00.7996	519,322.46
000000002379201	287,473.00	00.8339	239,725.82
000000002380096	360,752.00	00.3974	143,348.03
000000002380584	129,435.00	00.9235	119,531.67
000000002380690	123,641.00	00.9203	113,780.83
000000002381839	273,959.00	00.5373	147,198.29
000000002381846	296,710.00	00.6041	179,253.72
000000002381914	172,215.00	00.5392	92,858.53
000000002382658	276,902.00	00.6471	179,196.35
000000002383576	220,704.00	00.5124	113,097.30
000000002383804	104,902.00	00.5244	55,011.68
000000002384548	41,314.00	00.5532	22,855.97
000000002384555	43,737.00	00.4883	21,358.62
000000002384562	36,863.00	00.6361	23,448.67
000000002384814	173,259.00	00.6247	108,242.41
000000002385084	221,679.00	00.8025	177,889.16

LOAN NUMBER	PRINCIPAL BALANCE	PRICE	DOLLAR PRICE
000000002388267	285,352.00	00.6365	181,619.73
000000002388656	324,758.00	00.5970	193,876.83
000000002388991	181,567.00	00.8981	163,058.36
000000002389307	135,979.00	00.6633	90,199.78
000000002389383	167,003.00	00.5590	93,351.80
000000002391270	178,323.00	00.3128	55,786.73
000000002391294	178,323.00	00.3128	55,786.73
000000002391317	182,904.00	00.3667	67,072.76
000000002391461	121,165.00	00.9011	109,176.02
000000002391478	265,164.00	00.5768	152,934.53
000000002391485	158,385.00	00.8048	127,466.67
000000002391515	118,789.00	00.8871	105,372.19
000000002391522	134,813.00	00.9126	123,024.88
000000002391539	172,436.00	00.9145	157,694.47
000000002391546	110,866.00	00.8132	90,159.37
000000002391553	123,541.00	00.9452	116,776.36
000000002391560	106,910.00	00.9902	105,865.07
000000002391577	182,143.00	00.7877	143,470.88
000000002393429	267,502.00	00.5951	159,188.90
000000002394224	371,230.00	00.7383	274,061.75
000000002394361	283,300.00	00.5606	158,830.87
000000002395333	103,168.00	00.7537	77,759.49
000000002395456	305,838.00	00.4630	141,590.46
000000002395463	349,742.00	00.5700	199,336.76
000000002395487	196,214.00	00.7697	151,017.52
000000002395494	184,203.00	00.7740	142,565.14
000000002395616	219,943.00	00.4576	100,650.30
000000002395623	219,943.00	00.4576	100,650.30
000000002396374	402,755.00	00.7235	291,396.21
000000002396381	347,467.00	00.6283	218,324.35
000000002396978	223,942.00	00.6723	150,560.19
000000002397674	730,971.00	00.6420	469,247.64
000000002397971	284,295.00	00.4081	116,009.53
000000002397988	276,398.00	00.4144	114,550.18
000000002397995	276,398.00	00.4144	114,550.18
000000002399960	315,269.00	00.6955	219,262.31
000000002400273	374,717.00	00.2598	97,345.27
000000002400914	221,119.00	00.9538	210,914.16
000000002402132	153,579.00	00.3502	53,775.98
000000002402149	153,939.00	00.4200	64,649.80
000000002403944	180,473.00	00.6536	117,961.02
000000002404251	137,797.00	00.5910	81,431.56
000000002404350	181,626.00	00.3693	67,067.91
000000002404367	181,625.00	00.3693	67,067.54
000000002404411	84,662.00	00.8677	73,458.12
000000002404558	210,707.00	00.5273	111,101.53
000000002405186	269,020.00	00.9416	253,314.52
000000002406332	113,579.00	00.8212	93,269.71
000000002406783	128,100.00	00.8179	104,771.83
000000002407465	393,799.00	00.5164	203,373.28
000000002407519	332,670.00	00.6664	221,683.60
000000002408512	138,604.00	00.5947	82,428.35
000000002410744	169,882.00	00.7184	122,044.09

LOAN NUMBER	PRINCIPAL BALANCE	PRICE	DOLLAR PRICE
000000002411211	350,202.00	00.5835	204,328.25
000000002411358	296,590.00	00.5773	171,232.13
000000002412108	87,582.00	00.9846	86,236.57
000000002412405	215,892.00	00.5591	120,708.91
000000002412412	203,675.00	00.4925	100,306.32
000000002412429	205,100.00	00.4876	100,011.55
000000002412436	173,385.00	00.5904	102,374.90
000000002412443	236,654.00	00.4210	99,632.97
000000002412467	247,158.00	00.5145	127,168.57
000000002412696	296,377.00	00.4907	145,442.04
000000002414135	183,608.00	00.5744	105,470.95
000000002414173	251,213.00	00.6018	151,180.51
000000002414289	211,974.00	00.7923	167,949.95
000000002414395	334,911.00	00.6667	223,285.54
000000002415244	355,936.00	00.4251	151,313.28
000000002415299	570,989.00	00.4371	249,573.07
000000002415329	382,193.00	00.4797	183,355.70
000000002417189	127,398.00	00.6200	78,991.74
000000002417196	122,218.00	00.6462	78,981.93
000000002417202	122,218.00	00.6462	78,981.93
000000002417219	127,217.00	00.6208	78,979.58
000000002417226	127,217.00	00.6208	78,979.58
000000002417493	156,561.00	00.6537	102,344.15
000000002418144	126,182.00	00.4357	54,983.54
000000002418182	167,803.00	00.6617	111,038.13
000000002418311	376,467.00	00.7398	278,509.68
000000002418946	123,839.00	00.8195	101,482.00
000000002419659	121,174.00	00.9116	110,456.54
000000002420246	124,034.00	00.4433	54,982.10
000000002420307	151,138.00	00.5757	87,013.95
000000002422112	144,408.00	00.6746	97,410.92
000000002422549	159,312.00	00.7917	126,132.78
000000002422860	154,720.00	00.9371	144,989.63
000000002422891	420,587.00	00.4551	191,423.55
000000002423528	338,504.00	00.5790	196,007.13
000000002423535	333,243.00	00.4900	163,283.44
000000002425456	191,538.00	00.6743	129,155.46
000000002426138	194,653.00	00.5497	107,002.30
000000002426374	214,963.00	00.9159	196,883.10
000000002426404	210,273.00	00.4893	102,879.84
000000002431550	168,645.00	00.7961	134,250.36
000000002435156	759,548.00	00.9004	683,907.00
000000002437022	138,275.00	00.7953	109,967.80
000000002437039	121,412.00	00.9916	120,388.82
000000002437237	179,922.00	00.7729	139,061.89
000000002437824	344,063.00	00.6373	219,270.27
000000002439462	192,457.00	00.9097	175,085.31
000000002443225	228,665.00	00.8206	187,649.12
000000002444181	254,191.00	00.4037	102,606.30
000000002444518	161,894.00	00.3400	55,036.68
000000002444938	187,587.00	00.5188	97,315.39
000000002446392	206,363.00	00.6954	143,496.44
000000002448107	155,524.00	00.7979	124,084.83

LOAN NUMBER	PRINCIPAL BALANCE	PRICE	DOLLAR PRICE
000000002450049	219,139.00	00.7323	160,475.45
000000002450223	223,085.00	00.7021	156,627.34
000000002450377	202,148.00	00.3586	72,497.86
000000002454348	181,899.00	00.7822	142,276.63
000000002455280	189,228.00	00.8427	159,468.19
000000002460664	218,354.00	00.7843	171,250.69
000000002479804	193,523.00	00.6922	133,951.16
000000002488631	200,083.00	00.5011	100,256.79

Schedule 1.01-B

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Mortgage Loan Schedule

Loan and REO Purchase Agreement (Secondary)

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34	T1	2143204	JLLEWIS	4711 4713 4TH AVE	LOS ANGELES	CA	90043	7,007	6.32%	1,502	200,000	08/01/2015	ARM	100%
35	T1	2163505	692	8975 ALCOSTA BOULEVA	SAN RAMON	CA	94583							100%
36	T1	2187761	JDOHANNESI	1517E GARFIELD AVE	GLENDALE	CA	91205	0	9.30%	654	79,200	08/01/2016	Fixed	100%
37	T1	2190880	952	10 WALES ST	THOUSAND OAKS	CA	91360							100%
38	T1	2227829	GCPHELPS	18934 LOS ALIMOS ST	NORTHRIDGE	CA	91326	0	5.71%	837	125,000	07/01/2017	ARM	100%
39	T2	2240167	PJNOONE	18851E CANYON CIR	VILLA PARK	CA	92667	6,300	5.88%	2,090	330,000	07/01/2017	ARM	100%
40	T1	2259772	IRLIU	12943 PIERCE RD	SARATOGA	CA	95070	0	5.71%	2,461	384,000	11/01/2017	ARM	100%
41	T1	2259769	PFMAYNARD	5364 ELROSE AVE	SAN JOSE	CA	95124	16,759	5.71%	1,132	164,000	11/01/2017	ARM	100%
42	T1	2262688	E KOWALIK	11811 BALBOA BLVD	GRANADA HILLS	CA	91344	0	5.96%	1,151	180,000	12/01/2017	ARM	100%
43	T1	2265388	CKYUMIBA	12453 BRADDOCK DR	LOS ANGELES	CA	90066	0	6.21%	758	120,000	12/01/2017	ARM	100%
44	T1	2269267	J ARDELAN	827 EVERGREEN LN	PORT HUENEME	CA	93041	0	6.07%	584	95,000	02/01/2018	ARM	100%
45	T1	2269779	739	14237 BURBANK BOULEV	VAN NUYS	CA	91401							100%
46	T1	2273433	MJGREENBER	357 PAATRICIAN WAY	PASADENA	CA	91105	0	5.96%	3,197	500,000	02/01/2018	ARM	100%
47	T1	2275385	922	3142E GARNET LN A B	FULLERTON	CA	92631							100%
48	T1	2283997	884	621 AVE A	REDONDO BEACH	CA	90277							100%







129	T1	2395333	JBSANTOS	1138 DAISY AVE	LONG BEACH	CA	90813	6.11%	702	104,000	04/01/2020	ARM	100%
130	T2	2395456	JTBUBONIC	110 110 1/2 CORONA	LONG BEACH	CA	90603	10.50%	2,854	312,000	05/01/2020	ARM	100%
131	T1	2395463	1 JTBUBONIC	5901 BELGRAVE AVE	GARDEN GROVE	CA	92645						100%
132	T2	2395487	JTBUBONIC	5341 TRINETTE AVE	GARDEN GROVE	CA	92645	10.50%	1,829	200,000	05/01/2020	ARM	100%
133	T2	2395494	2 JTBUBONIC	6521 CERULEAN AVE	GARDEN GROVE	CA	92645						100%
134	T1	2395616	JSKIM	1864E ROSEWOOD CT	ONTARIO	CA	91764	6.21%	1,786	222,000	05/01/2020	ARM	100%
135	T1	2395623	JSKIM	1858E ROSEWOOD CT	ONTARIO	CA	91764	6.21%	1,786	222,000	05/01/2020	ARM	100%
136	T2	2396374	JMLIOU	460 RICHFIELD DR	SAN JOSE	CA	95129	6.11%	2,717	408,000	06/01/2020	ARM	100%
137	T2	2396381	J LIOU	1625 TENAKA PL	SUNNYVALE	CA	94067	6.11%	2,344	352,000	06/01/2020	ARM	100%
138	T2	2396978	MDRICHMOND	1779 WELCH AVE	SAN JOSE	CA	95112	10.50%	2,088	228,000	06/01/2020	ARM	100%
139	T2	23977674	MLEBANOFF	215 JASMINE AVE	CORONA DEL MA	CA	92625	6.11%	4,836	750,000	08/01/2020	ARM	100%
140	T2	2397971	MGBRASSARD	1054 SALT LAKE ST	LONG BEACH	CA	90806	6.11%	1,918	288,000	06/01/2020	ARM	100%
141	T2	2397968	MGBRASSARD	1027 SALT LAKE ST	LONG BEACH	CA	90806	6.11%	1,865	280,000	06/01/2020	ARM	100%
142	T2	2397995	MGBRASSARD	1025 SALT LAKE ST	LONG BEACH	CA	90806	6.11%	1,865	280,000	06/01/2020	ARM	100%
143	T1	2399960	932 KDPHILIPPS	231 AVENIDA PALIZAD	SAN CLEMENTE	CA	92627						100%
144	T2	2400273	B DANINO	19747 STAGG ST	CANOGA PARK	CA	91306	5.96%	2,502	378,700	05/01/2020	ARM	100%

Telstar Residential 1-4 Units

Cal.	Loan #	REO	Name	Address	City	ST	Zip	Units	PType	FFB Gross	Due Dt	Pos
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145	T1	2400914		O PIMIENTA	530 CYPRESS WAY	LOMPOC	CA 93436	1	RS	221,118	05/01/93	1
146	T2	2402132		M BUENO	262E JACKSON ST	RIALTO	CA 92376	4	RS	153,579	12/01/93	1
147	T2	2402149		M BUENO	292E JACKSON ST	RIALTO	CA 92376	4	RS	153,939	12/01/93	1
148	T1	2403944	841	D TRUST	5313W 95TH ST	LOS ANGELES	CA 90045	1	RS	180,473		1
149	T2	2404251		G GRABENHE	4615 ST CHARLES PL	LOS ANGELES	CA 90019	1	RS	137,787	11/01/93	1
150	T1	2404350	977	R SALWAN	436N PARKSIDE AVE	ONTARIO	CA 91764	4	RS	181,626		1
151	T1	2404367	970	R SALWAN	430N PARKSIDE AVE	ONTARIO	CA 91764	4	RS	181,625		1
152	T1	2404411	774		2551 EAST WASHINGTON	CARSON	CA 90810	1	RS	84,662		
153	T1	2404558	776		12137 GREVILLEA AVE	HAWTHORNE	CA 90250	2	RS	210,707		
154	T1	2405186	821	BCHART	5969 ELDERGARDENS	SAN DIEGO	CA 92120	1	RS	269,020		1
155	T1	2406332	961	ATHANSEN	1113W COLLEGE AVE	LOMPOC	CA 93436	1	RS	113,579		1
156	T1	2406783	941	ATHANSEN	1101W N AVE	LOMPOC	CA 93436	1	RS	128,100		1
157	T1	2407465	896		204,206,208 N CENTRE S	SAN PEDRO	CA 90731	3	RS	393,799		
158	T1	2407519	896		1045 VALENCIA STREET	COSTA MESA	CA 92626	4	RS	332,670		
159	T1	2408512		JCVILLA	700E COOLIDGE ST	LONG BEACH	CA 90805	1	RS	138,604	06/01/93	1
160	T1	2410744	8	GHBESON	13459 EBELL ST	VAN NUYS	CA 91402	1	RS	169,882		1
161	T1	2411211	936	N BEZIKIAN	2001N NEW HAMPSHIRE	LOS ANGELES	CA 90027	1	RS	350,202		1
162	T1	2411358	777		4800 VIA DOLCE #109	MARINA DEL REY	CA 90292	1	RC	296,590		
163	T2	2412108		MJREY	1908 MORLEY ST	SIMI VALLEY	CA 93065	1	RS	87,582	12/01/93	1
164	T1	2412405	758		34785 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	4	RS	215,892		
165	T2	2412412		WWWILLIAMS	34653 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	4	RS	203,675	12/01/93	1
166	T2	2412429		WWWILLIAMS	34541 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	4	RS	205,100	12/01/93	1
167	T2	2412436		WWWILLIAMS	34585 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	3	RS	173,385	11/01/93	1
168	T2	2412443		WWWILLIAMS	34545 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	4	RS	236,654	12/01/93	1
169	T1	2412467	974	WWWILLIAMS	5031 CAHUENGA BLVD	NORTH HOLLYWOOD	CA 91606	4	RS	247,158		
170	T2	2412696		K YOUSSEF	1025N SPURGEON ST	SANTA ANA	CA 92701	4	RS	296,377	12/01/93	1
171	T1	2414135	994	DSSOMERS	109 111 W 15TH AVE	ESCONDIDO	CA 92025	4	RS	183,606		1
172	T1	2414173	654		1124 WEST HIGHLAND ST	SANTA ANA	CA 92703	4	RS	251,213		
173	T1	2414289	969	HSGREEN	950 DOGWOOD ST	COSTA MESA	CA 92627	1	RS	211,974		1
174	T1	2414395	697		1039 VALENCIA STREET	COSTA MESA	CA 92626	4	RS	334,911		
175	T1	2415244	946	N TRIVEDI	1046S ARDMORE AVE	LOS ANGELES	CA 90006	4	RS	355,936		1
176	T1	2415299		RRRANGEL	11709 OLD RIVER SCHO	DOWNEY	CA 90241	3	RS	570,989	06/01/93	1
177	T1	2415329	925	MMJOHNSON	4060W BROADWAY	HAWTHORNE	CA 90250	4	RS	382,193		1
178	T1	2417189	907	NEWPORT	32743 PUEBLO TRL	CATHEDRAL CITY	CA 92234	2	RS	127,398		1
179	T1	2417196	905	NEWPORT	33801 WHISPERING PLM	CATHEDRAL CITY	CA 92234	2	RS	122,218		1
180	T1	2417202	923	NEWPORT	33687 WHISPERING PLM	CATHEDRAL CITY	CA 92234	2	RS	122,218		1
181	T1	2417219	908	NEWPORT	33455 PUEBLO TRL	CATHEDRAL CITY	CA 92234	2	RS	127,217		1
182	T1	2417226	904	NHINC	33765 PUEBLO TRL	CATHEDRAL CITY	CA 92234	2	RS	127,217		1
183	T1	2417493	867	CJVANHUISE	38620 IRIS CT	PALMDALE	CA 93551	1	RS	156,561		1
184	T1	2418144	901		1352 W 5TH STREET 14&2	ONTARIO	CA 91782	2	RS	126,182		
185	T1	2418182	757		1352 W FIFTH STC12/22/1	ONTARIO	CA 91782	4	RS	167,803		
186	T2	2418311		JRBURRUS	702 JAY CIR	HUNTINGTON BE	CA 92648	4	RS	376,467	11/01/93	1
187	T1	2418948	951		455 CONCHA LN	SAN MARCOS	CA 92069	1	RS	123,839		
188	T1	2419659		M REYNA	1523S ROSS ST	SANTA ANA	CA 92707	1	RS	121,174	06/01/94	1
189	T1	2420248	917	ERMATHOT	1352W FIFTH ST	ONTARIO	CA 91762	2	RS	124,034		1
190	T1	2420307	824	D GOMEZ	570 572&574 RHEA ST	LONG BEACH	CA 90808	3	RS	151,138		1
191	T1	2422112	886	I MIZRAHI	10935 HARTSOOK ST	NORTH HOLLYWOOD	CA 91601	1	RS	144,408		1
192	T1	2422549	973	ATHANSEN	328 SECOND ST	BUELLTON	CA 93427	1	RS	159,312		1

Cal.	Loan #	REO	Name	Address	City	ST	Zip	Escrow Bal	Escrow Adv	Suspense	Current Intrst Pln
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145	T1	2400914		O PIMIENTA	530 CYPRESS WAY	LOMPOC	CA 93436	0	246	20,733	5.96%
146	T2	2402132		M BUENO	262E JACKSON ST	RIALTO	CA 92376	0	0	0	6.11%
147	T2	2402149		M BUENO	292E JACKSON ST	RIALTO	CA 92376	0	0	0	6.11%
148	T1	2403944	841	D TRUST	5313W 95TH ST	LOS ANGELES	CA 90045				
149	T2	2404251		G GRABENHE	4615 ST CHARLES PL	LOS ANGELES	CA 90019	0	1,175	0	6.11%
150	T1	2404350	977	R SALWAN	436N PARKSIDE AVE	ONTARIO	CA 91764				
151	T1	2404367	970	R SALWAN	430N PARKSIDE AVE	ONTARIO	CA 91764				
152	T1	2404411	774		2551 EAST WASHINGTON	CARSON	CA 90810				
153	T1	2404558	776		12137 GREVILLEA AVE	HAWTHORNE	CA 90250				
154	T1	2405186	821	BCHART	5969 ELDERGARDENS	SAN DIEGO	CA 92120				
155	T1	2406332	961	ATHANSEN	1113W COLLEGE AVE	LOMPOC	CA 93436				
156	T1	2406783	941	ATHANSEN	1101W N AVE	LOMPOC	CA 93436				
157	T1	2407465	896		204,206,208 N CENTRE S	SAN PEDRO	CA 90731				
158	T1	2407519	896		1045 VALENCIA STREET	COSTA MESA	CA 92626				
159	T1	2408512		JCVILLA	700E COOLIDGE ST	LONG BEACH	CA 90805	0	175	716	5.96%
160	T1	2410744	8	GHBESON	13459 EBELL ST	VAN NUYS	CA 91402				
161	T1	2411211	936	N BEZIKIAN	2001N NEW HAMPSHIRE	LOS ANGELES	CA 90027				
162	T1	2411358	777		4800 VIA DOLCE #109	MARINA DEL REY	CA 90292				
163	T2	2412108		MJREY	1908 MORLEY ST	SIMI VALLEY	CA 93065	0	275	0	5.96%
164	T1	2412405	758		34785 VAQUERO ROAD	CATHEDRAL CITY	CA 92234				
165	T2	2412412		WWWILLIAMS	34653 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	0	9,780	0	6.11%
166	T2	2412429		WWWILLIAMS	34541 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	0	10,058	0	6.11%
167	T2	2412436		WWWILLIAMS	34585 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	0	7,642	0	6.11%
168	T2	2412443		WWWILLIAMS	34545 VAQUERO ROAD	CATHEDRAL CITY	CA 92234	0	10,488	0	6.11%
169	T1	2412467	974	WWWILLIAMS	5031 CAHUENGA BLVD	NORTH HOLLYWOOD	CA 91606				
170	T2	2412696		K YOUSSEF	1025N SPURGEON ST	SANTA ANA	CA 92701	0	7,083	0	6.50%
171	T1	2414135	994	DSSOMERS	109 111 W 15TH AVE	ESCONDIDO	CA 92025				
172	T1	2414173	654		1124 WEST HIGHLAND ST	SANTA ANA	CA 92703				
173	T1	2414289	969	HSGREEN	950 DOGWOOD ST	COSTA MESA	CA 92627				
174	T1	2414395	697		1039 VALENCIA STREET	COSTA MESA	CA 92626				
175	T1	2415244	946	N TRIVEDI	1046S ARDMORE AVE	LOS ANGELES	CA 90006				
176	T1	2415299		RRRANGEL	11709 OLD RIVER SCHO	DOWNEY	CA 90241	0	5,568	8,202	6.13%
177	T1	2415329	925	MMJOHNSON	4060W BROADWAY	HAWTHORNE	CA 90250				

178	T1	2417189	907	NEWPORT	32743 PUEBLO TRL	CATHEDRAL CITY	CA	92234
179	T1	2417196	905	NEWPORT	33801 WHISPERING PLM	CATHEDRAL CITY	CA	92234
180	T1	2417202	923	NEWPORT	33687 WHISPERING PLM	CATHEDRAL CITY	CA	92234
181	T1	2417219	908	NEWPORT	33455 PUEBLO TRL	CATHEDRAL CITY	CA	92234
182	T1	2417226	904	NHINC	33765 PUEBLO TRL	CATHEDRAL CITY	CA	92234
183	T1	2417493	867	CJVANHUISE	38620 IRIS CT	PALMDALE	CA	93551
184	T1	2418144	901		1352 W 5TH STREET 14&2	ONTARIO	CA	91782
185	T1	2418182	757		1352 W FIFTH ST C12/22/1	ONTARIO	CA	91782
186	T2	2418311		JRBURRUS	702 JAY CIR	HUNTINGTON BE	CA	92648
187	T1	2418948	951		455 CONCHA LN	SAN MARCOS	CA	92069
188	T1	2419659		M REYNA	1523S ROSS ST	SANTA ANA	CA	92707
189	T1	2420248	917	ERMATHOT	1352W FIFTH ST	ONTARIO	CA	91762
190	T1	2420307	824	D GOMEZ	570 572&574 RHEA ST	LONG BEACH	CA	90808
191	T1	2422112	886	I MIZRAHI	10935 HARTSOOK ST	NORTH HOLLYWOOD	CA	91601
192	T1	2422549	973	ATHANSEN	328 SECOND ST	BUELLTON	CA	93427

Cal.	Loan #	REO	Name	Address	City	ST	Zip	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/ Fixed	%FFB
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145	T1	2400914		O PIMIENTA	530 CYPRESS WAY	LOMPOC	CA	93436	1,718	222,500	05/01/2020	ARM	100%
146	T2	2402132		M BUENO	262E JACKSON ST	RIALTO	CA	92376	1,036	156,000	06/01/2020	ARM	100%
147	T2	2402149		M BUENO	292E JACKSON ST	RIALTO	CA	92376	1,039	156,000	06/01/2020	ARM	100%
148	T1	2403944	841	D TRUST	5313W 95TH ST	LOS ANGELES	CA	90045					100%
149	T2	2404251		G GRABENHE	4615 ST CHARLES PL	LOS ANGELES	CA	90019	912	140,000	06/01/2020	ARM	100%
150	T1	2404350	977	R SALWAN	436N PARKSIDE AVE	ONTARIO	CA	91764					100%
151	T1	2404367	970	R SALWAN	430N PARKSIDE AVE	ONTARIO	CA	91764					100%
152	T1	2404411	774		2551 EAST WASHINGTON	CARSON	CA	90810					100%
153	T1	2404558	776		12137 GREVILLEA AVE	HAWTHORNE	CA	90250					100%
154	T1	2405186	821	BCHART	5969 ELDERGARDENS	SAN DIEGO	CA	92120					100%
155	T1	2406332	961	ATHANSEN	1113W COLLEGE AVE	LOMPOC	CA	93436					100%
156	T1	2406783	941	ATHANSEN	1101W N AVE	LOMPOC	CA	93436					100%
157	T1	2407465	896		204,206,208 N CENTRE S	SAN PEDRO	CA	90731					100%
158	T1	2407519	896		1045 VALENCIA STREET	COSTA MESA	CA	92626					100%
159	T1	2408512		JCVILLA	700E COOLIDGE ST	LONG BEACH	CA	90805	1,038	140,000	07/01/2020	ARM	100%
160	T1	2410744	8	GHABESON	13459 EBELL ST	VAN NUYS	CA	91402					100%
161	T1	2411211	936	N BEZIKIAN	2001N NEW HAMPSHIRE	LOS ANGELES	CA	90027					100%
162	T1	2411358	777		4800 VIA DOLCE #109	MARINA DEL REY	CA	90292					100%
163	T2	2412108		MJREY	1908 MORLEY ST	SIMI VALLEY	CA	93065	651	95,800	08/01/2020	ARM	100%
164	T1	2412405	758		34785 VAQUERO ROAD	CATHEDRAL CITY	CA	92234					100%
165	T2	2412412		WWWILLIAMS	34653 VAQUERO ROAD	CATHEDRAL CITY	CA	92234	1,359	208,000	08/01/2020	ARM	100%
166	T2	2412429		WWWILLIAMS	34541 VAQUERO ROAD	CATHEDRAL CITY	CA	92234	1,359	208,000	08/01/2020	ARM	100%
167	T2	2412436		WWWILLIAMS	34585 VAQUERO ROAD	CATHEDRAL CITY	CA	92234	1,147	176,000	08/01/2020	ARM	100%
168	T2	2412443		WWWILLIAMS	34545 VAQUERO ROAD	CATHEDRAL CITY	CA	92234	1,568	240,000	08/01/2020	ARM	100%
169	T1	2412467	974	WWWILLIAMS	5031 CAHUENGA BLVD	NORTH HOLLYWOOD	CA	91606					100%
170	T2	2412696		K YOUSSEF	1025N SPURGEON ST	SANTA ANA	CA	92701	1,967	304,000	09/01/2020	ARM	100%
171	T1	2414135	994	DSSOMERS	109 111 W 15TH AVE	ESCONDIDO	CA	92025					100%
172	T1	2414173	654		1124 WEST HIGHLAND ST	SANTA ANA	CA	92703					100%
173	T1	2414289	969	HSGREEN	950 DOGWOOD ST	COSTA MESA	CA	92627					100%
174	T1	2414395	697		1039 VALENCIA STREET	COSTA MESA	CA	92626					100%
175	T1	2415244	946	N TRIVEDI	1046S ARDMORE AVE	LOS ANGELES	CA	90006					100%
176	T1	2415299		RRRANGEL	11709 OLD RIVER SCHO	DOWNEY	CA	90241	4,101	576,000	11/01/2020	ARM	100%
177	T1	2415329	925	MMJOHNSON	4060W BROADWAY	HAWTHORNE	CA	90250					100%
178	T1	2417189	907	NEWPORT	32743 PUEBLO TRL	CATHEDRAL CITY	CA	92234					100%
179	T1	2417196	905	NEWPORT	33801 WHISPERING PLM	CATHEDRAL CITY	CA	92234					100%
180	T1	2417202	923	NEWPORT	33687 WHISPERING PLM	CATHEDRAL CITY	CA	92234					100%
181	T1	2417219	908	NEWPORT	33455 PUEBLO TRL	CATHEDRAL CITY	CA	92234					100%
182	T1	2417226	904	NHINC	33765 PUEBLO TRL	CATHEDRAL CITY	CA	92234					100%
183	T1	2417493	867	CJVANHUISE	38620 IRIS CT	PALMDALE	CA	93551					100%
184	T1	2418144	901		1352 W 5TH STREET 14&2	ONTARIO	CA	91782					100%
185	T1	2418182	757		1352 W FIFTH ST C12/22/1	ONTARIO	CA	91782					100%
186	T2	2418311		JRBURRUS	702 JAY CIR	HUNTINGTON BE	CA	92648	2,439	385,000	10/01/2020	ARM	100%
187	T1	2418948	951		455 CONCHA LN	SAN MARCOS	CA	92069					100%
188	T1	2419659		M REYNA	1523S ROSS ST	SANTA ANA	CA	92707	1,088	124,000	10/01/2020	Fixed	100%
189	T1	2420248	917	ERMATHOT	1352W FIFTH ST	ONTARIO	CA	91762					100%
190	T1	2420307	824	D GOMEZ	570 572&574 RHEA ST	LONG BEACH	CA	90808					100%
191	T1	2422112	886	I MIZRAHI	10935 HARTSOOK ST	NORTH HOLLYWOOD	CA	91601					100%
192	T1	2422549	973	ATHANSEN	328 SECOND ST	BUELLTON	CA	93427					100%





Schedule 1.01-C

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Pending Loan Modifications Schedule

Load and REO Purchase Agreement (Secondary)

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LOAN SERVICE  
 MODIFICATION REPORT  
 (BULK SALE)  
 July 5, 1994

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE	COMMENTS
2435156 FORMAN	09/21/93 06/30/94	Effective 09/01/93, interest rate shall be reduced to 6.625% until 06/01/95 which is the end of the five year fixed period.  Effective 10/01/93, principal and interest payment will be payable in monthly installments of \$4,986.10 until 07/01/95 which is the end of the five year fixed period.	\$752,253.02	Suspense cleared. Loan is current, due for 07/01/94 payment.
2389307 GRATIAN	N/A	N/A	\$235,978.69	Recvd earthquake inspection 6/29/94/Pending loan committee review for possible Deed in Lieu of Foreclosure.
0983161 BERGE	06/14/94	Capitalize \$9,161.16 that represents accrued interest from 11/01/93 to 05/30/94.  Effective 06/01/94, interest rate shall be reduced to 8.500% until 08/01/2010 which is the maturity date of the loan.  Effective 07/01/94, principal and interest payment will be payable in monthly installments of \$1,330.14 until 08/01/2010 which is the maturity date of the loan.	Current Principal Balance \$130,873.78  New Principal Balance \$140,034.94	Title problem: Borrower has a 2nd & 3rd T.D. as well as two (2) tax liens. Referred to W.C. Taylor for further review.

Schedule 1.01-D

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REO Property Schedule

[This schedule has been integrated into the Mortgage Loan Schedule]

Loan and REO Purchase Agreement Secondary)

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Schedule 2.04(viii)

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Construction Contracts

Loan and REO Purchase Agreement (Secondary)

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Schedule 2.07(a)(ii)

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Earthquake Deferrals

Loan and REO Purchase Agreement (Secondary)

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Litigation

The Seller has been sued by several of its adjustable rate mortgage ("ARM") borrowers who have contended that the Seller miscalculated interest rate adjustments because of a 30 or 60 day delay in the recognition of downward movements in the Eleventh District Cost of Funds Index. A 60 day delay, which was not specifically provided for in the related promissory note, was attributable to the need to give borrowers at least 30 days' notice before the effective date of any interest rate change, and the fact that, since the notes are paid in arrears, the first payment amount affected by the interest rate change is due approximately 30 days after such change becomes effective, thus resulting in an index review and notice date approximately 60 days before the payment amount changes. The Seller contends that its consistent use of interest rate adjustment notices constitutes a course of dealing which clarifies any omission or ambiguity in the ARM promissory note. Also, the promissory notes related to residential loans secured by one to four unit properties must be interpreted in accordance with applicable federal regulations that require 30 days' notice of a change in interest rates.

Although no Mortgage Loans under the Agreement are currently the subject of a lawsuit as described above, certain of the Mortgage Loans had interest rate adjustments made in the same manner as described above, and the Seller has received letters from a loan auditor contending that certain of the Mortgagors have overpaid interest because of the manner in which such interest rate adjustments were made. The following describes the status of current litigation involving loans that are not Mortgage Loans, but which have similar interest rate adjustment provisions to certain of the Mortgage Loans:

1. HUBBARD V. FIDELITY FEDERAL BANK Civil No. 92-3939 MRP. Fidelity

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Federal Bank ("Fidelity") is a defendant in a purported class action on file in the United States District Court for the Central District of California alleging violation of the Truth In Lending Act and breach of contract and negligence. The case arises out of the alleged miscalculation of adjustments to the applicable interest rate of an adjustable rate mortgage loan. The complaint seeks compensatory damages and attorneys' fees in an unspecified amount relating to alleged class-wide over-charges. On February 8, 1993, plaintiff Hubbard filed a First Amended Class Action Complaint which added plaintiff Earle S. Humphreys and Nicette M. Humphreys as class representatives and also new claims for fraud and negligent misrepresentation. Defendant Fidelity had already filed a motion for summary judgment which the Court treated as applicable to the First Amended Complaint. On June 7, 1993, the Court issued a decision granting defendant's motion for summary judgment on the grounds that plaintiffs had failed to demonstrate the existence of a genuine issue of fact as to their claims for breach of contract, negligence, fraud, and negligent misrepresentation. Furthermore, the Court concluded that plaintiffs Truth-In-Lending Act claimed were barred by the Statute of Limitations. On July 7, 1993, plaintiffs filed a Notice of Appeal. The matter is now pending before the Court of Appeals for the Ninth Circuit and the transcript on appeal is still in the process of being prepared.

2. OCEANSIDE 84, LTD V. FIDELITY FEDERAL BANK, Case No. BC083318-Los

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Angeles Superior Court. Fidelity Federal Bank ("Fidelity") is a defendant in a purported class action on file in the Superior Court of the State of California, County of Los Angeles, alleging breach of contract and unfair trade practices arising out of its adjustment of adjustable rate mortgages. The Complaint seeks compensatory damages and attorneys' fees in an unspecified amount relating to alleged class-wide overcharges due to the use of a "look back period" for the calculation of interest rate adjustments. Fidelity's motion for summary judgment was granted for the unfair competition claim and denied on the breach of contract claim because of the Court's

Loan and REO Purchase Agreement (Secondary)

perception of triable issues of fact relating to custom and usage. The total damage claim amounts to slightly over \$15,000.

3. WEBER, ET AL V. FIDELITY FEDERAL BANK, Case No. BC094073, Los

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Angeles Superior Court. On November 30, 1993, an action was filed against Fidelity Federal Bank ("Fidelity") in the Los Angeles Superior Court for breach of contract, declaratory relief and fraud arising out of the manner in which Fidelity calculated interest rate adjustments on a group of 41 separate non-owner occupied/residential adjustable rate loans. The complaint was answered on January 26, 1994. It is Fidelity's present plan to file a motion for summary judgment similar to the one in the Oceanside 84 case described above. The

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damage claims on the individual loans average about \$3,000, but will be subject to set-offs for adjustments in rising interest markets.

4. SMALL CLAIMS. Fidelity has been sued in 21 separate small claims matters by individual ARM borrowers. Each of the matters has been filed in the Municipal Court for Santa Clara County and have been prompted by the actions of a single loan auditing firm which has contacted Fidelity's borrowers in the Bay Area. Most, if not all, of the claims are for less than \$2,000. Judgments have been entered against Fidelity in 5 of the matters. One of the small claims has been settled and one will be tried de novo on appeal as a test case in October.

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The description appearing on this Schedule 3.01(iv) are for the sole purpose of identifying to the Purchaser possible claims or contentions of which the Seller is aware that may be made with respect to Mortgage Loans. The Seller makes no representation regarding the merit or lack of merit of any such claim or contention and such descriptions are not and shall not be deemed to be an admission of any fact or liability with respect to the matters described thereby.

Loan and REO Purchase Agreement (Secondary)

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Exhibit 1.01-A

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Form of  
Assignment of Intangible Personal Property  
Loan and REO Purchase Agreement (Secondary)

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ASSIGNMENT OF GENERAL INTANGIBLES,  
LICENSES AND PERMITS

THIS ASSIGNMENT OF GENERAL INTANGIBLES, LICENSES AND PERMITS ("Assignment") is made as of the day of ,1994, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor"), and , a ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has sold and conveyed to Assignee certain real property and improvements located thereon, if any (collectively, "Property"), pursuant to that certain Loan and REO Purchase Agreement dated [July 9, 1994] between Assignor and Assignee (the "Purchase Agreement").

B. It is a condition to the consummation of the transactions contemplated by the Purchase Agreement that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, transfer, assign, deliver, grant and convey unto Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under the following property and rights (collectively, "Assigned Items"), all of which are located in or about, pertain to or are related to the Property:

(a) All surveys, site plans, engineering architectural, structural, electrical, mechanical and other plans, specifications, drawings, if any, and all other documentation of any type relating to the construction, maintenance and/or operation of the Property.

(b) To the extent assignable without the consent of any third party, all warranties and guarantees, if any, from any and all parties in connection with the construction, maintenance and operation of the Property, or in connection with any fixtures or equipment located on the Property.

(c) To the extent legally assignable, all licenses, permits, authorizations, approvals, registrations, certificates of occupancy and like authorizations issued by any governmental authority, federal, state or local, in connection with the Property.

3. Headings. The headings used in this Assignment are for purposes of convenience only and shall not be used in construing the provisions hereof.

4. Covenant Of Further Assurances. The parties hereto agree to execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Assignment.

6. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

7. Severability. The provisions of this Assignment shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the day and year first above written.

ASSIGNOR:

FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: -----  
Name: -----  
Title: -----

ASSIGNEE:

-----,  
a  
-----

By: -----  
Name: -----  
Title: -----

Exhibit A

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[PROPERTY NAME AND ADDRESS]

[FIDELITY WILL ATTACH AN EXHIBIT A PAGE FOR EACH REO PROPERTY]

Exhibit 1.01-B

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Form of Bill of Sale

Loan and REO Purchase Agreement (Secondary)

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BILL OF SALE

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For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Fidelity Federal Bank, a Federal Savings Bank ("Seller"), does hereby sell and deliver unto ("Buyer"), all of Seller's right, title and interest in all of the tools, equipment, supplies, inventory, fixtures and equipment not deemed or constituting realty, as well as all furniture, furnishings, and all other like items of personal property which as of the date hereof are located on or used exclusively in connection with the real property described on Exhibit 1 attached hereto, but expressly not including any personal property that may belong to any tenant or property manager of such real property.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of this day of \_\_\_\_\_, 1994.

SELLER:  
FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By:  
Its:

Exhibit 1

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LEGAL DESCRIPTION

[FIDELITY WILL ATTACH A LEGAL DESCRIPTION OF EACH REO PROPERTY]

Exhibit 1.01-C

Form of  
Servicing Agreement

Loan and REO Purchase Agreement (Secondary)



INTERIM SERVICING AGREEMENT  
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INTERIM SERVICING AGREEMENT entered into as of the      day of July, 1994, between FIDELITY FEDERAL BANK, F.S.B., a federal savings bank (the "Seller"), and      , a      corporation (the "Purchaser").

WHEREAS, the Seller and the Purchaser have entered into a Loan and REO Purchase Agreement dated as of July , 1994 (the "Purchase Agreement") pursuant to which the Seller has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase on a "servicing-released" basis, certain Mortgage Loans and REO Properties, as identified in the Purchase Agreement;

WHEREAS, the Purchaser has requested the Seller, and the Seller has agreed, to service the Mortgage Loans and REO Properties on behalf of the Purchaser during the term of this Agreement in accordance with the provisions hereof; and

WHEREAS, the parties desire to enter into this Agreement to set forth the terms and conditions upon which the Seller shall service the Mortgage Loans and the REO Properties;

NOW, THEREFORE, the Seller and the Purchaser, hereby agree as follows:

SECTION 1. DEFINITIONS.

Whenever used in this Agreement, the following words and phrases shall have the meanings specified in this Section:

"Affiliate": With respect to any Person, any Person controlled by, in control of or under common control with such Person. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through ownership of common stock or partnership interest, by contract or otherwise.

"Agreement": This Interim Servicing Agreement between the Seller and the Purchaser, including all exhibits, if any, as it may be amended from time to time.

"Closing Date": The date of this Agreement.

"Collection Accounts": The accounts designated as Collateral Account A and Collection Account B in Section 7 below.

"Conversion Date": [October 31, 1994] or such other date as the parties hereto shall agree to in writing.

"New REO Property": Any Mortgaged Property which has been acquired by the Seller on behalf of the Purchaser through foreclosure or by deed in lieu of foreclosure after the Closing Date and prior to the Conversion Date in connection with the servicing of a Mortgage Loan hereunder.

"Mortgage Remittance Date": The tenth (10th) Business Day of each calendar month commencing with the month following the month in which the Closing Date occurs and ending with the month following the month in which the Conversion Date occurs.

"Remittance Period": The period commencing on the first day of a calendar month and ending on the last day of such month; provided, however, that the first Remittance Period shall commence on the Closing Date and end on the last day of the month in which the Closing Date occurs and the last Remittance Period shall end on the Conversion Date.

"REO Remittance Date": The first (1st) day of the second calendar month following the month in which the Closing Date occurs, and the first day of each calendar month thereafter, ending with the month following the month in which the Conversion Date occurs, provided that if the first day of such month is not a Business Day, then the next REO Remittance Date shall be the succeeding Business Day.

"REO Documents": The books and records in the possession or under the control of the Seller relating to any REO Property or New REO Property that are contained in, or of the same type as those contained in, the Investor's Review File which are Loan Documents (except for correspondence not material to an evaluation of the Asset and any privileged attorney-client documents or other internal memoranda and reports), physical inspection reports, any Engineering Structural Report, any title updates, current rent rolls, current operating statements, copies of certificates of occupancy, if any, and copies of construction contracts for any work performed during the past 24 months.

"Reserve Amount": The amount that the Seller shall retain in the Collection Accounts pursuant to Section 7 below that will not be disbursed to the Purchaser until after the Conversion Date.

All capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement. A list of the Mortgage Loans as of the date of this Agreement is attached as Exhibit A hereto. A list of the REO Properties as of the date of this Agreement is attached as Exhibit B hereto.

## SECTION 2. TERM.

The term of this Agreement shall commence on the Closing Date and shall terminate on the Conversion Date. This Agreement shall terminate as to any Mortgage Loan, REO Property or New REO Property that is transferred or assigned by the Purchaser to any Person other than an Affiliate of the Purchaser, such termination to be effective upon such transfer or assignment.

## SECTION 3. RELATIONSHIP OF THE SELLER AND THE PURCHASER.

(a) In performing its duties and obligations under this Agreement, the Seller shall be an [independent contractor] and not an agent of the Purchaser. This Agreement shall not be construed to create a partnership or joint venture between the parties.

(b) The Seller shall give representatives of the Purchaser reasonable access at the Seller's premises, during normal business hours and on reasonable advance notice, for the purpose of examining the Loan Documents and REO Documents and shall, on reasonable advance notice, make reasonably available to representatives of the Purchaser at the Seller's premises employees of the Seller who are familiar with the Mortgage Loans, the REO Properties and the Seller's servicing procedures relating to the Mortgage Loans and the REO Properties for purposes of assisting in such examination. After the Conversion Date, the Purchaser shall give representatives of the Seller reasonable access at the Purchaser's premises, during normal business hours and on reasonable advance notice, to the Loan Documents and REO Documents for the purpose of reviewing documentation that was turned over to the Purchaser but which is reasonably necessary for the Seller to review and copy in connection

with determining tax positions or compliance with regulatory requirements or other laws, in connection with litigation or for other similar purposes.

SECTION 4. RELEASE AND TRANSFER OF SERVICING; MORTGAGE LOAN FILES AND REO PROPERTY ITEMS.

(a) As set forth in the Purchase Agreement, the Mortgage Loans and the REO Properties shall be sold and conveyed by the Seller to the Purchaser with any obligation or right of the Seller to service the Mortgage Loans being released and terminated as of the Closing Date. As of the Closing Date, all rights, obligations, liabilities and responsibilities with respect to the servicing of the Mortgage Loans and the REO Properties shall be assumed by the Purchaser. Notwithstanding the foregoing in order to provide for the orderly transition of servicing to the Purchaser, the Purchaser hereby hires the Seller to service the Mortgage Loans and the REO Properties (by providing the services contemplated by Sections 5 and 6 hereof) as the Purchaser's servicer during the period beginning on the Closing Date and ending on the Conversion Date.

(b) Such servicing shall be performed in consideration of the servicing compensation specified in Section 8 hereof. The Seller shall have no obligation to perform any servicing activities from and after the Conversion Date and no obligation to perform any servicing activities prior to the Conversion Date except as expressly provided herein.

(c) In order to permit the Seller to perform its obligations hereunder, notwithstanding Sections 2.03 and 2.04 of the Purchase Agreement, the Loan Documents, REO Documents, keys and access devices, and other similar items reasonably necessary to service the Assets shall be retained by the Seller as custodian for the benefit of the Purchaser until the Conversion Date. The Seller's responsibilities hereunder shall not include any verification that the Loan Documents and REO Documents are complete. The Seller, to the extent practicable, shall appropriately identify the Purchaser's interest in the documents and the information on its computer records relating to the Mortgage Loans, the REO Properties and the New REO Property.

SECTION 5. SERVICING ACTIVITIES.

(a) During the term of this Agreement, the Seller shall service the Mortgage Loans and the REO Properties on behalf of the Purchaser and in doing so shall:

(i) Service the Mortgage Loans, to the extent practicable, using the same servicing procedures utilized by the Seller with respect to the Mortgage Loans prior to the Closing Date. The Seller shall commence in the name of the Purchaser and continue to prosecute for the benefit of the Purchaser existing foreclosure or other similar proceedings as called for by the Seller's servicing procedures, but only with the prior written consent of the Purchaser. Notwithstanding the foregoing, if the Seller proceeds with a foreclosure proceeding, unless otherwise directed by the Purchaser, the Seller shall not be required to pursue a deficiency judgment against the related Mortgagor or any other party liable on the related Mortgage Loan. All such actions described above shall be performed at the Purchaser's sole cost and expense. Unless otherwise specified herein, the Seller shall perform all services under this Agreement in the same manner as if the Seller were performing the services for its own account. Nothing herein shall alter the provisions of Section 2.11 of the Purchase Agreement regarding the obligations of the Purchaser and the Seller as set forth therein. The Seller shall be entitled to keep for its own account any and all late fees and assumption fees collected from any Mortgagor or assignee of a Mortgagor during the term of this Agreement.

(ii) Service the REO Properties, to the extent practicable, using the same servicing and asset management procedures utilized by the Seller with respect to the REO Properties prior to the Closing Date. The Seller shall commence, in the name of the Purchaser, eviction actions and continue the prosecution or defense, as the case may be, for the benefit of the Purchaser of existing eviction and other actions with respect to the REO Properties as of the Closing Date, unless the Purchaser specifically directs otherwise in writing with respect to one or more REO Properties. All such actions described above shall be performed at the Purchaser's sole cost and expense. In performing such servicing the Seller will, to the extent practicable, either directly or through an agent selected by the Seller, manage, conserve and protect each REO Property in the same manner as if the Seller were performing such functions for its own account unless otherwise specified herein. Notwithstanding the foregoing, in view of the length of the term of this Agreement, the Seller shall not be expected to engage in the development of the REO Properties or formulate a business plan with respect thereto. The Seller will proceed to remedy any health or safety violations or other emergency conditions with respect to REO Property that come to the attention of the Seller. Except in connection with remedying any such violations or emergency conditions, the Seller will, or will instruct the property manager to, perform only routine maintenance and repairs, and will not undertake capital expenditures in excess of \$5,000, in any instance, without the prior written consent of the Purchaser.

(iii) On each REO Remittance Date, provide to the Purchaser reports on the REO Property substantially in the form as is customarily generated by or on behalf of the Seller for real property owned by the Seller. On each Mortgage Remittance Date, provide to the Purchaser reports on the Mortgage Loans in such form as is customarily generated by or on behalf of the Seller for mortgage loans serviced by the Seller for others.

(iv) Keep and maintain, in accordance with its customary practices in connection with the Mortgage Loans and its customary servicing procedures in connection with the REO Properties, complete and accurate records of (x) all funds (if any) accepted with respect to the Mortgage Loans and advanced by the Seller with respect to the Mortgage Loans and (y) all funds (if any) accepted or advanced by the Seller with respect to the REO Properties during the term of this Agreement.

(v) Make all required disbursements from Escrow Funds (as defined in the Agreement), if any, and advance funds, subject to reimbursement pursuant to Section 7 below, if the Escrow Funds are insufficient.

(vi) If so directed by the Purchaser, use its best efforts to comply, on behalf of the Purchaser, with federal and state income tax reporting relating to the Mortgage Loans, including obligations with respect to Forms 1098 and 1099 and back-up withholding.

(vii) Make diligent efforts to maintain at the Purchaser's expense, insurance which the Purchaser instructs the Seller in writing to maintain on Purchaser's behalf, with respect to the Mortgaged Property, the REO Properties and the New REO Property to the extent practicable. Notwithstanding the foregoing, the Purchaser acknowledges its obligation to insure the REO Properties from and after the Closing Date, and hereby covenants and agrees to add the Seller as an additional insured on all liability policies with respect to occurrences that take place while this Agreement is in effect. The Purchaser hereby indemnifies and agrees to defend the Seller against any and all Claims that result as a breach of the agreement in the preceding sentence. The foregoing indemnification shall survive any termination of this Agreement.

(b) Notwithstanding anything to the contrary contained herein, the Seller may not modify, waive, alter, cancel, subordinate or accept satisfaction of any Mortgage Loan (other than through payment in accordance with the terms thereof) without the prior written consent of the Purchaser. Notwithstanding the foregoing, the Seller shall review and analyze proposals for work-outs and/or restructurings of the Mortgage Loans. The Seller shall continue, without the need for further consent, to negotiate and/or consummate Pending Loan Modifications. In addition, the Seller may enter into any forbearance agreements with a term of not more than four months with the related Mortgagor or other party liable on the related Mortgage Loan without the prior approval or consent of the Purchaser, unless otherwise directed in writing by the Purchaser. In the event the Seller believes a work-out and/or restructuring proposal would be in the best interest of the Purchaser, the Seller shall present such proposal to the Purchaser and the Purchaser shall review and make a determination with respect to such proposal within a reasonable time. The Purchaser's failure to act within ten Business Days after receipt of any notice or request for a decision hereunder shall be deemed to constitute approval of the proposal presented to the Purchaser. The Seller shall have no responsibility for any adverse consequences of the Purchaser's failure to make a timely decision or the outcome of the workout or restructuring, whether approved by the Purchaser or deemed approved hereunder.

(c) The servicing responsibilities of the Seller hereunder shall not include (A) the verification as to whether (i) there has been any breach by the Seller of any of the representations and warranties contained in Article III of the Purchase Agreement or (ii) the Seller has failed to deliver any document described in Section 2.03 or Section 2.04 of the Purchase Agreement, (B) recordation of deeds, assignments of mortgage or any other documentation transferring the Mortgage Loans, the REO Properties and the New REO Properties to the Purchaser or (C) delivery of notices to counsel or responsibility for managing ongoing litigation, except as specifically provided herein, pursuant to Section 2.11 of the Purchase Agreement.

#### SECTION 6. TITLE AND MANAGEMENT OF NEW REO PROPERTY.

(a) In the event a New REO Property is acquired, the deed, certificate of sale or other instrument of conveyance or assignment shall be taken in the name of the Purchaser or any Person previously designated by the Purchaser in a written notice to the Seller.

(b) In the event that a New REO Property is acquired, the Seller shall provide asset management services with respect to the New REO Property, including recommendations as to curing any health and safety violations and identifying any other imminently needed deferred maintenance and repairs to the New REO Property). The Seller shall, either directly or through an agent or Affiliate selected by the Seller, manage, conserve and protect such New REO Property at the expense of the Purchaser in the same manner as the Seller operates, manages, conserves and protects such properties for its own account, subject to the same limitations as set forth in the last sentence of Section 5(a)(ii) above.

#### SECTION 7. COLLECTIONS; EXPENSES; REMITTANCES.

(a) All revenues accepted and fees received during the term hereof with respect to the Mortgage Loans and the REO Properties (and all revenues accepted with respect to any New REO Property), if any, shall be deposited in one of two separate non-interest bearing demand deposit accounts at the Seller in the name and for the benefit of the Purchaser (the "Collection Accounts"). The revenues accepted and fees received (other than those belonging to the Seller pursuant to other provisions of this Agreement), shall be deposited in Collection Account A, if derived from the Mortgage Loans, and Collection

Account B, if derived from the REO Property or the New REO Property. On each Mortgage Remittance Date, except as otherwise provided in this Section 7, all such funds on deposit in Collection Account A shall be remitted to the Purchaser except for funds which belong to the Seller pursuant to Section 2.07 or 2.09 of the Purchase Agreement, and except that the Seller shall retain in Collection Account A an amount sufficient to maintain a balance after making the disbursements set forth below on the Mortgage Remittance Date of [ \$ ] (the "Reserve Amount"). To the extent that the funds in Collection Account B are insufficient on the REO Remittance Date to pay or reimburse to the Seller the sum of all unreimbursed Servicing Advances and servicing fees incurred or earned through the end of the related Remittance Period, the Seller shall be entitled to distribute to the Seller such amounts on the REO Remittance Date from Collection Account A.

(b) The Seller shall be entitled to reimbursement of all out-of-pocket costs and expenses incurred by it or on its behalf in providing the services described in this Agreement (including, but not limited to, costs of foreclosure (including without limitation the trustees fees and costs incurred using the services of Gateway Mortgage Corporation, an Affiliate of the Seller), expenses incurred for maintenance, repairs, replacements and restorations, fees of attorneys, collection agencies, appraisers or consultants (other than employees of the Seller), costs incurred to obtain documents or information other than those required to be delivered under the Purchase Agreement, costs of appraisals, credit reports and document preparation, title reports, title commitments, tax services, recording fees, claims filing fees, inspections incident to evaluation of Mortgaged Properties, REO Properties or New REO Property, condominium association fees, environmental or structural reports, assessments, real estate and other taxes, mortgage insurance or hazard insurance, property management fees (other than for services performed by the Seller) and related costs, advertising and items similar to any of the foregoing. Any amounts that the Seller advances to cover such servicing expenses shall be referred to as "Servicing Advances." The Seller shall also be entitled to receive its reasonable costs and expenses for the preparation of corrective documents such as assignments and deeds.

(c) On each Mortgage Remittance Date the Seller shall disburse amounts held in Collection Account A payable as follows:

first, to the Seller, in an amount equal to all unreimbursed Servicing Advances;

second, to the Seller, in an amount equal to all servicing fees relating to servicing the Mortgage Loans, as described in Section 8 below, applicable in respect of the preceding Remittance Period and all unpaid servicing fees, whether for servicing of Mortgage Loans or REO Properties, from prior Remittance Periods;

third, after retaining the Reserve Amount in Collection Account A, the remainder to the Purchaser.

(d) On each REO Remittance Date the Seller shall disburse amounts held in Collection Account B payable as follows:

first, to the Seller, in an amount equal to all unreimbursed Servicing Advances;

second, to the Seller, in an amount equal to all servicing fees relating to servicing the REO Properties, as described in Section 8 below, applicable in respect of the preceding Remittance Period and all unpaid servicing fees, whether for servicing of Mortgage Loans or REO Properties, from prior Remittance Periods;

third, the remainder to the Purchaser.

(e) In the event the funds in Collection Account A or Collection Account B on any Mortgage Remittance Date or REO Remittance Date, as the case may be, are insufficient to pay or reimburse to the Seller the sum of all unreimbursed Servicing Advances and applicable servicing fees incurred or earned through the end of the related Remittance Period, the Seller shall be entitled to deduct the amount of the insufficiency from either Collection Account, if the funds in such Collection Account are sufficient therefor. If there are not sufficient funds to make such deduction and maintain the Reserve Amount in Collateral Account A, then the Seller shall indicate in its monthly report to the Purchaser the amount of such insufficiency, which the Purchaser shall be obligated to pay as specified in paragraph (f) below.

(f) The Purchaser shall be obligated to reimburse the Seller for all of the Servicing Advances made by the Seller and to pay to the Seller all servicing fees due in connection with the servicing of the Mortgage Loans; the REO Properties and the New REO Property. In the event that the Purchaser receives a notice of insufficiency in the Collateral Accounts as described in paragraph (e) above, the Purchaser shall remit to the Seller the amount of such insufficiency no later than the tenth day after receiving the Seller's statement. Subsequent to the Conversion Date, the Seller shall submit statements to the Purchaser for reimbursement of servicing advances made by the Seller during the term of this Agreement, for which the Seller was not billed until subsequent to the Conversion Date or the Purchaser was not billed. The Purchaser shall reimburse the Seller within ten days of receipt of such statement. On the Conversion Date, the Purchaser shall reimburse the Seller for the full amount of any such unreimbursed servicing advances made by the Seller as of such date. Any remaining funds in the Collection Accounts shall be remitted by the Seller to the Purchaser as soon as practicable after the Conversion Date, but in no event sooner than thirty (30) days thereafter, once the Seller has received all bills for which it is to be reimbursed from the Collection Accounts and all reports from property managers of the REO Properties.

#### SECTION 8. SERVICING FEES.

(a) In consideration of the servicing of the Mortgage Loans and the REO Properties by the Seller pursuant to this Agreement, the Purchaser shall pay to the Seller annual servicing fees, divided into twelve equal monthly installments, as follows: with respect to fixed rate performing loans, an amount equal to 25 basis points; with respect to adjustable rate performing loans, an amount equal to 37.5 basis points; with respect to nonperforming loans, whether fixed rate or adjustable rate, 50 basis points (provided that any loan which is more than 30 days delinquent, and any loan which is being worked out shall be a nonperforming loan); with respect to each REO Property, 125 basis points. [The basis points will be determined with reference to the Mortgage Loan Principal Balance of Record or REO Principal Balance of Record of each Mortgage Loan or REO Property under the Purchase Agreement, less any principal reductions subsequently made on the Mortgage Loans.] The initial installment of the servicing fees shall accrue as of the Closing Date. Such fees shall be credited to the Seller during the Remittance Period in which they are earned. The number of Mortgage Loans, REO Properties and New REO Properties for which the servicing compensation shall be paid shall be determined as of the first day of each month, and such servicing compensation shall be prorated on a daily basis (based on 12 equal 30-day months) for any month in which the Seller acts as the Purchaser's servicer for only a portion of such month.

(b) As additional compensation for its services hereunder, the Seller shall be entitled to a work-out analysis fee in the amount of \$500 per application on the terms and conditions described below. Such work-out fee shall be payable by the Purchaser to the Seller each time a completed work-out, modification or restructuring application is received and reviewed by the Seller. Such fee shall be payable by the Purchaser regardless of whether the

work-out, modification or restructuring contemplated by such application is approved by the Purchaser or is actually consummated.

(c) With respect to any other services which the Seller renders at the request of the Purchaser, which such services are not otherwise covered by this Agreement, the Seller and the Purchaser shall determine in advance the fee for which the Purchaser shall be responsible. Such services may include such tasks as performing site inspections after seismic events and the like.

#### SECTION 9. PURCHASER ASSISTANCE.

The Purchaser shall at its expense do any and all things reasonably required by the Seller to enable the Seller to render the services hereunder. The Purchaser shall be solely responsible for the cost of any conversion or data processing required by the Purchaser, including without limitation, the allocated cost of the Seller's personnel involved in such conversion or data processing.

#### SECTION 10. NOTICE TO MORTGAGORS.

The Purchaser acting by itself or through a designee (which may include the Seller) shall, on notice to the Seller, and at its own expense, notify each Mortgagor of the sale of the related Mortgage Loan, of the transfer of the servicing in respect thereof to the Purchaser, of the new address to which payments on the Mortgage Loans shall be sent after the Conversion Date and of any other pertinent information related to the purchase of the Mortgage Loans and the related servicing by the Purchaser and other matters set forth herein. The Seller may elect to join in any such notice sent by the Purchaser respecting the transfer of servicing on the Conversion Date.

#### SECTION 11. DELIVERY OF LOAN DOCUMENTS AND REO DOCUMENTS

On or before the Conversion Date, the Seller shall, at the Purchaser's sole cost and expense, deliver the Loan Documents and REO Documents and the keys and other access devices along with any additional documents relating to the servicing of the Mortgage Loans and the REO Properties generated during the term hereof to the Purchaser or its designee which shall be provided by the Purchaser in writing.

#### SECTION 12. SUBCONTRACTORS.

The Seller shall be permitted to employ subcontractors (including Affiliates) to perform the servicing hereunder, provided that the Seller shall be responsible for the performance of all services and for all other obligations hereunder.

#### SECTION 13. LIMITATION OF LIABILITY; INDEMNITY.

(a) Neither the Seller, its Affiliates nor any of their respective directors, officers, employees or agents of the Seller shall have any liability to the Purchaser for any action taken or for refraining from taking any action in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Seller or any such person against any liability arising out of or resulting from gross negligence, willful misfeasance or bad faith in the performance of duties under this Agreement. The Seller, its Affiliates and any respective director, officer, employee or agent of the Seller may rely in good faith on any document of any kind which, on its face, was properly executed and submitted by any person respecting any matters arising under this Agreement. Without limiting the



generality of the foregoing, the Seller shall not be liable to the Purchaser, with respect to action taken, or for refraining from taking of any action, with respect to any Mortgage Loan, REO Property or New REO Property at or in conformity with the directions of the Purchaser, or for any liability caused by or resulting from a delay occasioned by the Purchaser or for any liability incurred by reason of any action or inaction of the Purchaser.

(b) The Purchaser shall indemnify and hold the Seller, its Affiliates and their respective directors, officers, employees and agents harmless from and against any claim (including but not limited to, claims brought by any Mortgagor), loss, liability, damage or expense (including, but not limited to, reasonable attorneys' fees, disbursements and court costs and any such fees, disbursements and court costs incurred by or asserted against it or them in any way relating to or arising out of or in establishing liability under this indemnity or in collecting the amounts payable under this indemnity) arising out of or resulting from this Agreement or the performance of the Seller's duties under this Agreement, other than any claim, loss, liability, damage and expense incurred by reason of the gross negligence, willful misfeasance or bad faith in performance of the Seller's duties under this Agreement. The foregoing indemnification shall survive any termination of this Agreement.

(c) The Seller may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any request, instructions, certificate, opinion or other document furnished to the Seller, believed by the Seller to be genuine and to have been signed or presented by the proper party or parties and conforming to the requirements of this Agreement. The Seller shall have no liability for any actions taken in reliance upon the advice of counsel.

#### SECTION 14. MISCELLANEOUS.

(a) Each party shall, upon the other's request, execute, acknowledge and deliver all such further documents and instruments as may be reasonably required or reasonably advisable to consummate the transactions provided for or contemplated by this Agreement.

(b) This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, United States of America. Each of the parties hereto hereby irrevocably (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the federal courts of the United States of America for the Central District of Southern California for the purpose of any action or proceeding relating to this Agreement; (ii) waives, to the fullest extent permitted by law, the defense of an inconvenient forum in any action or proceeding in any such court; (iii) agrees that a final judgment in any action or proceeding in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and (iv) consents to service of process upon it by mailing a copy thereof by certified mail addressed to it as provided for notices hereunder.

(c) Neither party to this Agreement (or employee or agent under its control) shall without the prior written consent of the other disclose to any third party any information regarding the Seller and its Affiliates, this Agreement and the terms hereof or the transactions contemplated herein, except to the extent that such disclosure is (i) required to effect the transactions contemplated herein, (ii) required by law or regulation (iii) necessary to permit the audit of the accounts of a party hereto or (iv) made in order to initiate, defend or otherwise pursue legal proceedings between the parties regarding this Agreement or the transactions contemplated hereby.

(d) Any notices or other communications between the parties hereto permitted or required hereunder shall be in writing and shall be personally delivered or mailed by registered mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile and confirmed by a similar mailed writing, to the following addresses or such other address as may hereafter be furnished in writing:

(i) In the case of the Seller,

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Facsimile: (818) 549-3002

Attention: James F. Barnett  
Senior Vice President  
Credit Administration

with a copy to:

Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard  
Glendale, California 91209  
Facsimile: (818) 549-3773

Attention: Fred I. Fox, Esq.

(ii) In the case of the Purchaser,

with a copy to:

Notices shall be effective on receipt. The Purchaser shall designate in writing the name of the person at the Purchaser responsible for and to be contacted in connection with investor reporting, and all such reports shall be forwarded by the Seller to the designated person thereafter in lieu of the addressee provided above.

(e) If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement.

(f) The exhibits to this Agreement, if any, are hereby incorporated and made a part hereof and are an integral part of this Agreement

(g) This Agreement may be amended, supplemented, cancelled or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties hereto or, in the case of a waiver, by an authorized representative of the party waiving compliance.

(h) This Agreement is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than the parties hereto.

(i) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that (i) notwithstanding any assignment by the Purchaser or the Seller, such party shall remain liable for its obligations hereunder and (ii) the Purchaser shall not assign its rights under this Agreement without the prior written consent of the Seller.

(j) All section titles or captions contained in this Agreement or in any exhibit annexed hereto or referred to herein are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

(l) This Agreement (including any exhibits annexed hereto or referred to herein) contains the entire agreement between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements, written or oral, with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

FIDELITY FEDERAL BANK, F.S.B.

By:

Name:

Title:

[PURCHASER]

By:

Name:

Title:

## DEPOSIT ESCROW AGREEMENT

-----  
 This Escrow Agreement is made as of July 13, 1994 among EMC MORTGAGE CORPORATION (the "Depositor"), FIDELITY FEDERAL BANK (the "Beneficiary") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK ("Morgan"), as Deposit Escrow Agent hereunder (the "Deposit Escrow Agent").

1. Escrow Account. The Depositor and the Beneficiary have entered into  
 -----

that certain Loan and REO Purchase Agreement (Secondary) dated as of July 13, 1994 (the "Purchase Agreement"), and have delivered to the Deposit Escrow Agent a copy of such executed Purchase Agreement. The Depositor has agreed to deliver to the Deposit Escrow Agent on July 13, 1994, in escrow pursuant to the terms hereof, the sum of Three Million, Ninety-Two Thousand, Three Hundred Twelve Dollars (\$3,092,312) as the "Deposit" thereunder and hereunder. The Deposit Escrow Agent agrees to accept said Deposit and to establish and maintain a separate non-interest bearing escrow account therefor and for investments and reinvestments thereof (the "Escrow Account") pursuant to the terms hereof. Upon written notice from the Depositor or the Beneficiary in accordance with Section 3 below, the Deposit Escrow Agent shall liquidate the Escrow Account and pay the net proceeds of the Escrow Account to the Beneficiary or as the Beneficiary shall direct or to the Depositor or as the Depositor shall direct, as applicable.

2. Investment. The Deposit Escrow Agent agrees to invest and reinvest the  
 -----

Escrow Account within two business days after receipt of written instructions signed by a person identified in Exhibit A hereto and specifying the exact investment or reinvestment to the satisfaction of the Deposit Escrow Agent, only in one or more of the following investments (the "Obligations") at the time of investment:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; or
- (ii) Repurchase Agreements involving Obligations listed in (A) above; or
- (iii) Certificates of Deposit issued, or day of deposit to day of withdrawal interest bearing accounts offered, by any bank, trust company or national banking association having capital stock, surplus and undivided profits not less than \$50,000,000 as indicated in its most recently published statement of condition; or
- (iv) Money Market Investment Options identified in Exhibit B hereto; or
- (v) Such other investment as the Depositor, the Beneficiary and the Deposit Escrow Agent may agree in writing.

Investments may be made in Obligations of Morgan or any affiliate of Morgan. The Deposit Escrow Agent may purchase Obligations through Morgan and its affiliates and Morgan and its affiliates may retain any charges or commissions customarily imposed for such purchases as if

Morgan were not Deposit Escrow Agent hereunder. If the Deposit Escrow Agent determines that any investment instruction is not satisfactory to it, the Deposit Escrow Agent will use reasonable efforts to obtain a satisfactory investment instruction in lieu thereof. Interest and other earnings on the Obligations shall be added to the Escrow Account. Any loss incurred from an investment, including without limitation market loss resulting from early liquidation of and all costs of investment or liquidation, including without limitation all withholding and other taxes, will be borne by the Escrow Account. The Depositor and the Beneficiary agree to furnish to the Deposit Escrow Agent upon execution of this agreement and as subsequently required all appropriate U.S. tax forms and information in order for the Deposit Escrow Agent to comply with U.S. tax regulations. The Depositor agrees that any income earned on the Escrow Account will be reported as calendar year income to the U.S. IRS for the Depositor's account and shall be subject to any applicable withholding taxes.

No Obligation shall have a final maturity which exceeds July 29, 1994, provided that on and after July 29, 1994, the Deposit Escrow Agent may invest and reinvest the Escrow Account in Obligations having a maturity of one day; and provided further that investments in Money Market Investment Options defined in Exhibit B hereto and deposits in a day of deposit to day of withdrawal interest bearing account shall be deemed to have a maturity of one day.

3. Disbursement of Escrow Account.  
-----

The net proceeds of the Escrow Account shall be paid in accordance with the provisions of Sections 2.01 and 6.08 of the Purchase Agreement, which Sections of the Purchase Agreement (and the definitions of the capitalized terms used in such Sections) are hereby incorporated by reference as though fully set forth in this Section 3. Capitalized terms used in this Section 3 and not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Purchase Agreement. In order to effect the provisions of this Section 3:

(i) If the Deposit Escrow Agent receives notice from the Beneficiary stating that the Depositor has breached the Purchase Agreement, or that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Depositor or the Depositor's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Depositor, then the Deposit Escrow Agent shall immediately notify the Depositor of the receipt thereof and if within two business days of delivery of such notice to the Depositor the Deposit Escrow Agent has not been notified by the Depositor that the Depositor disputes such notice then the Deposit Escrow Agent shall, not later than the following day, pay to the Beneficiary in immediately available funds by wire transfer to the account specified by the Beneficiary, the full amount of the Deposit including all interest earned thereon to the date of payment;

(ii) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is also signed by the Beneficiary, then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the

Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(iii) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Beneficiary, then the Deposit Escrow Agent shall immediately notify the Beneficiary of the receipt thereof and if within two business days of delivery of such notice to the Beneficiary the Deposit Escrow Agent has not been notified by the Beneficiary that the Beneficiary disputes such notice then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(iv) Any disputes of which the Deposit Escrow Agent has notice prior to the payment or repayment of the Deposit in accordance with this Section 3 shall be subject to Section 4(d) of this Agreement.

4. The Deposit Escrow Agent.  
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(a) The Depositor and the Beneficiary agree jointly and severally to indemnify, defend, and hold the Deposit Escrow Agent harmless against all losses, liabilities and expenses (including reasonable attorney's fees and expenses), arising out of or in connection with this Agreement or any transaction related hereto, except to the extent that any such loss, liability, or expense results from the gross negligence or willful misconduct of the Deposit Escrow Agent. The foregoing indemnities shall survive the resignation of the Deposit Escrow Agent and the termination of this Agreement.

(b) The Deposit Escrow Agent's duties are only such as are specifically provided herein, and the Deposit Escrow Agent shall incur no fiduciary or other liability whatsoever to the Depositor or the Beneficiary, or any other person, except to the extent the Depositor or the Beneficiary incur loss or liability due to the Deposit Escrow Agent's gross negligence or willful misconduct. The Deposit Escrow Agent may consult with counsel and shall be fully protected in any action taken in good faith in accordance with such advice. The Deposit Escrow Agent may rely and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed. The Deposit Escrow Agent shall not be liable for interest on the Escrow Account.

(c) The Depositor agrees to pay the Deposit Escrow Agent, annually in advance, as compensation for the ordinary administrative services to be rendered hereunder, a fee of \$4,500 per year, or any part thereof, from and after the date first written above payable on the execution of this agreement and on each anniversary of the date first written above. The Deposit Escrow Agent's claim for such fees and expenses and for its indemnities provided in Section 4(a) shall constitute a first lien against the Escrow Account.

(d) It is understood and agreed that should any dispute arise with respect to the payment and/or ownership or right of possession of the Escrow Account, the Deposit Escrow Agent may retain in its possession, without liability to anyone, all or any part of said Escrow Account until such dispute shall have been settled either by agreement of the parties to such dispute or by the final order, decree or judgment of a court or other tribunal of competent jurisdiction in the United States after the time for appeal has expired and no appeal has been perfected. The Deposit Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings. The Deposit Escrow Agent may turn over all or any part of the Escrow Account to or upon instruction of such court or tribunal, without liability to any person, in the case of any such dispute.

(e) The Deposit Escrow Agent may resign at any time by giving written notice thereof to the Depositor and the Beneficiary. Such resignation shall become effective when a successor Deposit Escrow Agent shall have been appointed by the Depositor and shall have accepted such appointment in writing. If an instrument of acceptance by a successor Deposit Escrow Agent shall not have been delivered to the Deposit Escrow Agent within 30 days after the giving of such notice of resignation, the Deposit Escrow Agent's duties hereunder are limited to holding the Escrow Account without further reinvestment and disposing of the Escrow Account as directed jointly by the Depositor and the Beneficiary. The resigning Deposit Escrow Agent may at the expense of the Depositor petition any court of competent jurisdiction, including without limitation the Supreme Court of the State of New York, for the appointment of a successor Deposit Escrow Agent and may turn over the Escrow Account to such successor Deposit Escrow Agent.

(f) Morgan and its affiliates may, without having to account therefor to any person, accept deposits from, extend credit (on a secured or unsecured basis) to and generally engage in any kind of banking, trust or other business with the Depositor or the Beneficiary or any of their affiliates as if it were not acting as the Deposit Escrow Agent, and may accept fees and other consideration for services in connection with this Agreement or otherwise without having to account for the same to any person.

5. Notices. Any notice, consent, request or instruction to be given in  
-----  
connection with this Agreement shall be in writing and shall be sent by certified mail, postage prepaid, or telecopied (tested by telephonic confirmation of receipt) or delivered:

(i) if to the Deposit Escrow Agent, to:

Morgan Guaranty Trust Company of New York  
60 Wall Street, 36th Floor  
New York, New York 10260  
Attention: Corporate Trust Administration  
Telecopier: (212) 648-5103  
Telephone: (212) 648-9261

(ii) if to the Depositor, to

EMC Mortgage Corporation  
222 West Las Colinas Boulevard  
Irving, Texas 75039  
Attention: Edward Raice and Ralene Ruyle  
Telecopier: (214) 444-2880  
Telephone: (214) 444-2800

and

(iii) if to the Beneficiary, to

Fidelity Federal Bank  
600 N. Brand Avenue  
Glendale, California 91209  
Attention: Legal Department and Richard Greenwood

Telecopier: (818) 549-3773  
Telephone: (818) 549-3693

6. Miscellaneous. This Agreement may be amended only in writing, signed by

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the parties hereto. It expresses the entire understanding of the parties hereto. No third party shall benefit from or be entitled to enforce any provision hereof. No party shall assign its rights or duties hereunder except by operation of law. This Agreement shall be construed in accordance with the laws of the State of New York. It may be executed in several counterparts, each one of which shall constitute an original, and all collectively shall constitute but one instrument.



IN WITNESS WHEREOF, the parties have duly executed this Escrow Agreement as of the date first written above.

ATTEST: EMC MORTGAGE CORPORATION.,  
Depositor

[SEAL]

\_\_\_\_\_  
By: /s/ JONATHAN ILANY  
-----  
Name: Jonathan Ilany  
Title: Senior Executive Vice President

ATTEST: FIDELITY FEDERAL BANK, Beneficiary

[SEAL]

\_\_\_\_\_  
By: /s/ GODFREY B. EVANS  
-----  
Name: Godfrey B. Evans  
Title: Executive Vice President &  
General Counsel

ATTEST: MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK, as Deposit  
Escrow Agent

[SEAL]

\_\_\_\_\_  
By: /s/ NORMA R. PANE  
-----  
Name: Norma R. Pane  
Title: Vice President

Name:  
Assistant Secretary

Exhibit A  
-----

Persons authorized to sign investment instructions

Name and Title

Signature

Jonathan Ilany

/s/ JONATHAN ILANY

-----  
SENIOR EXECUTIVE VICE PRESIDENT

Edward Raice

/s/ EDWARD RAICE

-----  
President

David Lehman

/s/ DAVID LEHMAN

-----  
Chief Executive Officer

The undersigned Secretary/Assistant Secretary of the corporation identified as the Depositor in the Deposit Escrow Agreement to which this certificate is Exhibit A hereby certifies that the above named persons are authorized to give investment instructions and that the title and signature of each is such person's true title and signature.

/s/ UNIDENTIFIED SIGNATURE

-----  
Secretary/Assistant Secretary

Exhibit B  
-----

Money Market Investment Options

Money Market Fund Name -----	Portfolio Asset Mix -----
Federated Trust for U.S. Treasury Obligations	U.S. Treasury Direct Obligations
-----	
The Pierpont (JP Morgan) Money Market Fund	U.S. Government and agency obligations, commercial paper, bakers' acceptances, certificates of deposit, corporate bonds
-----	
Federated Short Term U.S. Government Securities	Off-shore money market fund for non-resident aliens of the U.S. investing in obligations of the U.S. Government and its agencies

EXECUTION COPY: July 21, 1994

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-----  
  
FIDELITY FEDERAL BANK,  
Seller

and

INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL CORPORATION,  
FARALLON CAPITAL PARTNERS, L.P., TINICUM PARTNERS, L.P.  
AND ESSEX MANAGEMENT CORPORATION  
Purchaser

LOAN AND REO PURCHASE AGREEMENT (SECONDARY)  
Dated as of July 21, 1994

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Loan and REO Purchase Agreement (Secondary)

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Exhibit 1.01-B	Form of Bill of Sale

Loan and REO Purchase Agreement (Secondary)

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LOAN AND REO PURCHASE AGREEMENT (SECONDARY)

THIS LOAN AND REO PURCHASE AGREEMENT (SECONDARY) (this "Agreement"),

dated as of July 21, 1994, is executed by and between Fidelity Federal Bank, a Federal Savings Bank (the "Seller"), and INTERNATIONALE NEDERLANDEN (U.S.)

CAPITAL CORPORATION, FARALLON CAPITAL PARTNERS, L.P., TINICUM PARTNERS, L.P. AND ESSEX MANAGEMENT CORPORATION (collectively, the "Purchaser").

WHEREAS, the Seller owns certain Mortgage Loan Assets (as defined herein) and REO Assets (as defined herein); and

WHEREAS, the Purchaser desires to purchase and the Seller desires to sell such Mortgage Loan Assets and REO Assets and related rights and assets;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Purchaser and the Seller agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms.

Whenever used in this Agreement, the following words and phrases shall have the following meaning specified in this Article and shall apply to the singular and plural forms:

"Agreement" means this Loan and REO Purchase Agreement including the schedules and exhibits hereto and all amendments hereof and supplements hereto.

"Allocated Price" means, as to each Mortgage Loan Asset and each REO Asset, the portion of the Purchase Price attributed to the Mortgage Loan Asset and REO Asset as set forth on the Allocated Price Schedule provided by the Purchaser on or prior to the Bid Date and attached hereto as Schedule 1.01-A.

"ALTA" means the American Land Title Association.

"Apportionment Amount" shall have the meaning set forth in Section 2.09.

"Appraised Value" means with respect to any REO Property or Mortgaged Property, the value of such REO Property or Mortgaged Property based upon the most recent appraisal thereof contained in the Investors' Review File.

"Assets" means the Mortgage Loan Assets and the REO Assets.

"Assignment" means an assignment of a Mortgage or equivalent instrument in recordable form sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale or transfer of the related Mortgage Loan Asset.

"Assignment of Intangible Personal Property" means an Assignment of Intangible Personal Property substantially in the form of Exhibit 1.01-A hereto.

Loan and REO Purchase Agreement (Secondary)



"Balance Purchase Price" shall be an amount equal to the Purchase Price minus the Deposit.

"Bid Date" means July 8, 1994.

"Bid Information Date" means July 5, 1994.

"Bill of Sale" means a Bill of Sale substantially in the form of Exhibit 1.01-B hereto.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking or savings and loan institutions in the State of California are authorized or obligated by law or executive order to be closed.

"Claims" shall have the meaning set forth in Section 5.08.

"Closing" means the closing of the purchase and sale of the Assets hereunder, as provided in Section 2.01.

"Closing Date" shall have the meaning set forth in Section 2.01.

"Condominium Association" means the condominium association that is responsible for the operation of a Condominium Project.

"Condominium Loan" means any Mortgage Loan that is secured by a Mortgage on a Condominium Unit and identified on the Mortgage Loan Schedule.

"Condominium Project," with respect to a Condominium Unit or REO Condominium Unit, means all real property owned by a Condominium Association and the individual owners of the separate units including the land, the separate units and all common elements.

"Condominium Unit" means each specific unit in a Condominium Project identified on the Mortgage Loan Schedule or the REO Property Schedule.

"Cure Estimate" shall have the meaning set forth in Sections 5.03 or 5.04, as applicable.

"Cure Threshold" means the greater of five percent (5%) of the Allocated Price of the related Asset and \$40,000.

"Cut-off Date" means May 31, 1994.

"Deeds" shall have the meaning set forth in Section 2.04.

"Deposit" means \$2,956,832 that the Purchaser delivered to the Deposit Escrow Agent on July 11, 1994 pursuant to Section 2.01. "Deposit" also includes interest on the Deposit from the date of receipt by the Deposit Escrow Agent to, but not including, the Closing Date, as provided in Section 2.01.

"Deposit Escrow Agent" means Morgan Guaranty Trust Company of New York.

Loan and REO Purchase Agreement (Secondary)

"Deposit Escrow Agreement" means the Deposit Escrow Agreement dated as of the date of this Agreement, by and among the Purchaser, the Seller and the Deposit Escrow Agent.

"Deviation Amount" shall have the meaning set forth in Section 2.09.  
-----

"Engineering Structural Report" means a report prepared at the request of the Seller, included in the Investors' Review File prior to the Bid Date, reporting the results of an inspection of a Property in an area affected by the Northridge Earthquake, made by a structural engineer after the Northridge Earthquake.

"Environmental Hazard" means any condition on a Property by reason of which the Property is not in substantial compliance with a federal, state, or local law, ordinance or regulation or any court judgment applicable to the Mortgagor or the Property relating to industrial hygiene or to environmental conditions including, but not limited to, those relating to the release, emission or discharge of substances defined therein as hazardous.

"Escrow Advance" means the funds advanced by the Seller on behalf of the Mortgagor for taxes and insurance premiums, water rates, mortgage insurance premiums, ground rents, assessments for common charges, Condominium Association dues, security, key or other deposits, capital improvements or other similar payments that have not been reimbursed by such Mortgagor.

"Escrow Agent" means North American Title Company or such other escrow agent as may be appointed by the mutual agreement of the Seller and the Purchaser to assist the Closing.

"Escrow Balance" means the positive balance of funds held by the Seller or held in escrow pursuant to any Mortgage for impounds for taxes and insurance premiums, water rates, mortgage insurance premiums, ground rents, assessments for common charges, Condominium Association dues, security, key or other deposits, funds reserved for capital improvements or other similar payments.

"Estimated Apportionment Amount" shall have the meaning set forth in Section 2.09.

"Insured Loss" means any condemnation (or the initiation of proceedings therefor) that is not a Material Loss and any casualty loss that is not a Material Loss and against which the Seller (or the Purchaser for the purposes of Section 6.05) has valid insurance coverage.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute, and the regulations promulgated and the rulings issued thereunder.

"Investors' Review File" means, as to each Mortgage Loan or REO Property the information contained in the files made available to the Purchaser's representatives at the Seller's offices located at 700 North Central Avenue, Glendale, California, together with all supplementary information made available to the Purchaser at the Seller's offices or directly to the Purchaser on or before the Bid Information Date, which consists of some or all of the following with respect to a particular Asset: (a) the Loan Documents; (b) any physical inspection report concerning the related Property; (c) any Engineering Structural Report concerning the related Property; (d) any title updates, current rent rolls, current operating statements, appraisals and similar materials prepared for presentation to investors; and (e) the Confidential Portfolio Information Package dated May 26, 1994 provided to the Purchaser and any amendments, appendices or supplements thereto provided

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to the Purchaser. The information regarding each Mortgage Loan and REO Property contained in the magnetic tapes delivered to the Purchaser shall also be deemed to be part of the Investors' Review File with respect to such Mortgage Loan or REO Property described therein. Information given to an individual investor in response to an inquiry from that investor is not part of the Investors' Review File.

"Loan Documents" means the Mortgage Note, the Mortgage and any and all  
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other agreements, certificates, documents or instruments in the Seller's possession or under its control relating to the origination, closing and modification of a Mortgage Loan, including without limitation any related security agreement, UCC financing statement, guaranty, letter of credit, pledge, loan agreement or other instrument creating a security interest in, and lien upon, real and/or personal property; any Participation Agreements, assumption agreements, modification agreements, appraisals, guarantees, insurance certificates, borrower estoppel certifications and subordination agreements for leases, financial and/or operating statements, credit reports, lender's title insurance policy, engineering reports, soil reports, environmental assessment reports and architect's certificate. The Loan Documents may be original documents or copies thereof, whether by photocopy, microfiche, microfilm or on diskette. Loan Documents does not include duplicate materials, correspondence not material to an evaluation of the Assets, internal reports, or any privileged attorney-client communications.

"Material Loss" means a casualty loss with respect to a Property of  
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more than twenty-five percent (25%) of its Appraised Value on the Cut-off Date, or a condemnation (or the initiation of proceedings therefor) of more than 25% of the Premises of a Property or that substantially impairs (or would impair) the ability to use the Premises of a Property for its intended purpose, whether or not the Seller has insurance against such casualty or condemnation, or any material casualty loss with respect to a Property against which the Seller does not have insurance.

"Mortgage" means the mortgage, deed of trust or other instrument  
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creating a lien on improved real property (including without limitation a Condominium Unit) securing a Mortgage Note.

"Mortgage Loan" means any individual Mortgage Loan that is secured by  
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a Mortgage, including without limitation a Condominium Loan, and that is identified on the Mortgage Loan Schedule, provided, however, that the Seller may take title to a Mortgaged Property subject to a Mortgage Loan identified on the Mortgage Loan Schedule prior to the Closing Date, in which case such Mortgaged Property shall constitute REO Property under this Agreement.

"Mortgage Loan Assets" means the Mortgage Loans, Mortgage Notes and  
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Mortgages.

"Mortgage Loan Principal Balance of Record" means, with respect to any  
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Mortgage Loan, the unpaid principal balance as of the Cut-off Date, after giving effect to all payments of principal received on or before the Cut-off Date and applied as provided in this Agreement.

"Mortgage Loan Schedule" means the list of Mortgage Loans subject to  
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this Agreement and identified on Schedule 1.01-A attached hereto, which schedule sets forth the following information with respect to each Mortgage Loan as of the Cut-off Date:

- (i) the Mortgage Loan identifying number;
- (ii) the name of the Mortgagor;

Loan and REO Purchase Agreement (Secondary)  
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- (iii) the street address and unit number, if any, of the Property including state and zip code;
- (iv) the type of real property constituting the Property;
- (v) the Mortgage Loan Principal Balance of Record;
- (vi) the original principal balance of the Mortgage Loan;
- (vii) the stated maturity date;
- (viii) any Unapplied Funds as of the Cut-off Date;
- (ix) any unreimbursed servicing advances;
- (x) the due date of the next payment;
- (xi) a code indicating whether the Mortgage Loan bears interest at a fixed or adjustable rate of interest;
- (xii) the monthly payment amounts; and
- (xiii) the amount of any impound account.

"Mortgage Note" means the note or other evidence of the indebtedness under a Mortgage Loan.

"Mortgaged Property" means the underlying real property that secures a Mortgage.

"Mortgagor" means one or more Persons who are the current and unreleased obligor or obligors on a Mortgage Note or, in some cases, the last known party from whom the Seller accepted payment, all as reflected in the Seller's records.

"Northridge Earthquake" means the major seismic event of January 17, 1994, centered in the Northridge or Reseda area of Los Angeles, California, and all subsequent seismic events deemed to be aftershocks thereto and occurring prior to the Closing Date.

"Notice of Defect" shall have the meaning set forth in Section 5.03.

"Notice of Hazard" shall have the meaning set forth in Section 5.04.

"Pending Loan Modification" means the proposed modification of a Mortgage Loan set forth on the Pending Loan Modifications Schedule pursuant to which the Seller deferred or would defer payments of principal and/or interest, or advanced or would advance funds to the related Mortgagor, together with the resulting modification of the related Mortgage Note, if any, which modification is contemplated by the Seller and such Mortgagor but may not be consummated as of any date between the Cut-off Date and the Closing Date, inclusive.

"Pending Loan Modifications Schedule" means the list of Pending Loan Modifications identified on Schedule 1.01-B attached hereto, which schedule sets forth, with respect to each Pending Loan Modification which existed on or after the Cut-off Date, as of the Cut-Off Date and as of the Bid Information Date, the related Mortgage Loan's identifying number,

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the material terms of the modifications made or proposed, the amount of the related pay-down of the principal balance made or proposed, if any, and the amount of the advance made or proposed to be made upon the consummation of the Pending Loan Modification, if any. At the Closing Date, the Pending Loan Modifications Schedule shall be updated to reflect the Pending Loan Modifications as of the Closing Date and the consummation or other disposition of the Pending Loan Modifications set forth on the Pending Loan Modifications Schedule with respect to the Bid Information Date.

"Permitted Encumbrances" means (a) the lien of real estate taxes and

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assessments, ground rents and other obligations under ground leases, personal property taxes, water rates, water frontage charges and/or meter charges, sewer taxes or rents, and vault charges, in each case not yet due and payable or, if due and payable, which may be paid without interest or penalties, (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record of a type acceptable to lending institutions generally, (c) mechanics' or similar liens or claims for work, labor and materials relating to work performed by tenants on such Property, (d) zoning and other land use restrictions and ordinances, including, without limitation, landmark, historic and wetland designations, (e) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided, in the case of a Mortgaged Property, by the related Mortgage, and in the case of an REO Property, by the mortgage granted in connection with the REO Loan, (f) rights of tenants under leases or other rights of tenants or rights of other occupants of the Premises, (g) any laundry or other equipment leases, and (h) in addition, in the case of any Condominium Unit or REO Condominium Unit provided for in the related documents for the Condominium Unit for enforcement of unpaid maintenance or common expense assessments and (2) rights of the Condominium Association pursuant to the condominium declaration, or the rules, regulations or other operative documents of such Condominium Association.

"Person" means any individual, corporation, partnership, joint

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venture, association, joint-stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

"Post-Closing Consents" means the consents or approvals required to

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transfer any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its related amenities.

"Premises" means, with respect to a Property, the buildings and

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improvements on such Property.

"Properties" means the Mortgaged Properties and the REO Properties.

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"Purchase Price" shall be an amount equal to \$29,548,316.

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"Purchaser" shall have the meaning set forth in the preamble to this

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Agreement.

"REO Assets" means all the Seller's right, title and interest in and

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to the REO Properties and the REO Personal Property. REO Assets do not include rights to pursue deficiency judgments against any loan obligors from whom such REO Properties were acquired.

"REO Condominium Unit" means each specific unit that is in a

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Condominium Project and is REO Property.

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Loan and REO Purchase Agreement (Secondary)  
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"REO Loan" means a mortgage loan previously held by the Seller

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pursuant to which mortgaged property became REO Property.

"REO Personal Property" means the tangible and intangible personal

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property located on, appurtenant to or used exclusively in connection with the management of, the REO Property on the Closing Date, if any. The Seller makes no representation or warranty concerning the existence of any such REO Personal Property.

"REO Property" means (i) the real property to which title has been

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acquired by the Seller by foreclosure, deed in lieu of foreclosure or similar means, including without limitation REO Condominium Units, which is identified on the REO Property Schedule, together with all Mortgaged Properties to which the Seller has taken title prior to the Closing Date, and the related Premises. An REO Property (with the exception of REO Condominium Units) includes all of the Seller's ownership and rights, if any, to land lying in the bed of any street or highway, opened or proposed, adjoining the relevant Premises to the center line thereof, and all fixtures, attachments, appliances, equipment, machinery and other articles, if any, attached or appurtenant to the relevant Premises on the Cut-off Date.

"REO Property Schedule" means the list of REO Properties subject to

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this Agreement and identified on Schedule 1.01-D attached hereto, which schedule  
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sets forth the following information with respect to each REO Property as of the Cut-off Date:

(i) the identifying number of the related REO Property;

(ii) the street address and unit number, if any, of the REO Property including state and zip code; and

(iii) the type of real property constituting the REO Property.

"Repurchase Price" means, in the case of any Asset to be repurchased

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by the Seller from the Purchaser pursuant to Article VI, Article V or Section 2.06(d) or removed from the Assets sold under this pursuant to Section 2.06, a price equal to the sum of (w) the Allocated Price, plus (x) reasonable and

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necessary out-of-pocket expenses for unreimbursed servicing advances and expenses made by the Purchaser after the Closing Date in respect of such Asset and expenditures of the kind described in Section 2.09 hereof made by the Purchaser with respect to the related Property plus (y) interest on the

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Allocated Price of such Asset on a daily basis, at the Return Rate for each day from the Closing Date to the date of repurchase under the applicable provision of this Agreement, minus (z) all payments, rents and other income or proceeds

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received by the Purchaser with respect to the related Mortgage Loan or REO Property of the kind described in Section 2.07 and Section 2.09, including without limitation any prepayments, insurance proceeds, condemnation proceeds and liquidation proceeds.

"Return Rate" means the rate for deposits in United States dollars for

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three months, as published on the display page designated as "Telerate Page 3750" on the Dow Jones Telerate as of 5:00 p.m. Eastern Time, on the first day of the month of any date of determination (or such other page replacing that page on such date of determination); provided, however, that if such rate is not

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available from the Dow Jones Telerate service, the rate shall be determined on the basis of the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16th of 1%), of the rates at which deposits in United States dollars are offered by the reference banks in the London Interbank Market at 5:00 p.m. Eastern Time, on the date of determination, to prime banks in the London Interbank Market for three months commencing on such date of determination.

Loan and REO Purchase Agreement (Secondary)

"Seller" shall have the meaning set forth in the preamble to this Agreement.

"Structural Defect" means a condition of the structure of the

improvements on a Mortgaged Property or an REO Property resulting from faulty engineering, construction, labor or materials, or from fire or other casualty (including the Northridge Earthquake) which has a material adverse impact on the value and use of the Property. "Structure" for the purpose of the foregoing definition means the foundation, exterior walls and interior bearing walls. "Structural Defect" shall not include (a) the failure of any component of the structure to be suitable for a use for which it was not intended when built or installed; (b) any condition which exists by reason of normal wear and tear; (c) any condition in the nature of deferred maintenance; (d) any condition which exists because the structural component has outlived its useful life or functional utility; (e) any condition which causes a material adverse impact on the value and use of the Property solely because the structure is not in compliance with a law, regulation, code or standard which did not apply when the structural component was built or installed, including, without limitation, the Americans With Disabilities Act of 1990.

"Unapplied Funds" means funds received by Seller with respect to a Mortgage Loan that have not been allocated on the books of the Seller.

ARTICLE II

SALE AND CONVEYANCE OF ASSETS

Section 2.01 Purchase and Sale of Assets.

The Seller hereby agrees to sell, assign, transfer, set over and convey to the Purchaser, and the Purchaser hereby agrees to purchase, all of the Seller's right, title and interest in and to the Assets, without recourse to the Seller except as expressly set forth herein, on August 8, 1994, or such other date as is agreed between the Purchaser and the Seller, which shall be as close to August 8, 1994 as reasonably possible (the "Closing Date"). The Mortgage

Loan Assets are being sold to the Purchaser with any obligation or right of the Seller to service the Mortgage Loans being released and terminated as of the Closing Date. The Purchaser hereby agrees to assume each and every obligation of the Seller (if any) arising on or after the Closing Date and relating to the Assets. On the Closing Date, the Seller shall also deliver to the Purchaser or to a custodian designated by the Purchaser all documents and instruments specified in Sections 2.03 and 2.04.

On July 11, 1994, the Purchaser deposited with the Deposit Escrow Agent, by wire transfer in immediately available funds to the account specified by the Deposit Escrow Agent, \$2,956,832 (approximately ten percent (10%) of the Purchase Price) to hold in accordance with the terms of this Agreement, the Deposit Escrow Agreement, and any further instructions not inconsistent herewith. The Deposit Escrow Agent shall maintain the Deposit in an investment account, with interest accruing for the benefit of the Purchaser (but forfeited with any forfeit of the Deposit pursuant to Section 6.07).

On the Closing Date, the Deposit shall be released by the Deposit Escrow Agent and paid to the Seller, and the Purchaser shall pay to the Seller or its designee, by wire transfer in immediately available funds to the account specified by the Seller, the Balance Purchase Price, plus or minus, as the case may be, the Estimated Apportionment Amount. The Seller and the Purchaser agree that no part of the Purchase Price is allocable to any REO Personal Property.

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The Closing shall take place at the offices of the Seller or its attorneys at 9:00 AM (P.D.T.) on the Closing Date or, upon reasonable notice by the Seller to the Purchaser, at such other time or place on the Closing Date as may be designated by the Seller.

Section 2.02 Servicing.  
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The servicing rights related to the Mortgage Loans shall be transferred to the Purchaser on the Closing Date. From the Cut-off Date up to and including the Closing Date, without the consent of the Purchaser, the Seller shall continue to service the Mortgage Loans and the REO Properties, to the extent practicable, using the same servicing procedures applicable to the Mortgage Loans and the REO Properties as the Seller utilized for its own account prior to the Cut-off Date, except that between the date of this Agreement and the Closing Date the Seller will not, without the consent of the Purchaser, modify the terms of any Mortgage Loan or affirmatively waive any material obligation of the borrower or right of the lender under any Mortgage Loan, conclude any foreclosure proceeding in respect of any Mortgaged Property or take title pursuant to such proceeding, or take title to any Mortgaged Property by accepting a deed in lieu of foreclosure, except in each case as described on the Pending Loan Modifications Schedule.

Section 2.03 Delivery of Mortgage Loan Assets.  
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The Seller shall, on the Closing Date, deliver and release to the Purchaser or to a custodian designated by the Purchaser the documents listed below in respect of each Mortgage Loan Asset:

(i) The original Mortgage Note endorsed, "Pay to the order of [Purchaser]\_\_\_\_\_, without recourse" and signed in the name of the Seller by an authorized officer thereof or a lost note affidavit or other reasonably acceptable evidence of the issuance of such Mortgage Note, with indemnification by the Seller for any material losses caused by the Seller's failure to deliver the original Mortgage Note.

(ii) The original recorded Mortgage with evidence of recording thereon or, if the original mortgage has not yet been returned from the recording office or is not in the Seller's files, a copy of the original Mortgage certified by the Seller to be a true copy of the original of the Mortgage which has either been sent for recording or is recorded in the appropriate recording office of the jurisdiction in which the Mortgaged Property is.

(iii) An Assignment.

(iv) Originals of any intervening Assignments with evidence of any recording thereof or, if the original thereof is not in the Seller's files, a copy of such Assignment certified by the Seller to be a true copy of the original of such Assignment in the form recorded, if recorded, showing an unbroken chain of ownership and assignment of the Mortgage Loan.

(v) The original or a copy of the title insurance policy.

(vi) The original or a copy of the policy of mortgage insurance, if any, or evidence thereof.

Loan and REO Purchase Agreement (Secondary)  
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(vii) Originals or copies certified by the Seller of all assumption, modification and substitution agreements, if any.

(viii) The other Loan Documents contained in the Investors' Review File, if any.

In the event that, with respect to any Mortgage Loan, the Seller does not deliver any document described in clauses (iv) through (viii) above, the Closing shall occur and the Purchaser shall have the rights set forth in Section 6.01. The Seller will also deliver a Pending Loan Modifications Schedule updated to set forth the Pending Loan Modifications which have been consummated or abandoned between the Bid Information Date and the Closing Date and the Pending Loan Modifications which remain to be consummated as of the Closing Date.

Section 2.04 Delivery of REO Assets.  
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The Seller shall, on the Closing Date, deliver and release to the Purchaser or to a custodian designated by the Purchaser the following documents and items in respect of each REO Asset:

(i) Grant deeds or their equivalent (special warranty deeds) under the law of the State where the REO Property is located (the "Deeds"), duly executed and acknowledged by the Seller, in proper form

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for recording, conveying to the Purchaser good and marketable fee simple title to the REO Properties, subject only to Permitted Encumbrances and such other matters to which the Purchaser is required or agrees to be subject pursuant to this Agreement. For convenience, at the Seller's option, there may be omitted from the Deeds a listing of all Permitted Encumbrances and such other matters, but, nevertheless, such Permitted Encumbrances and other matters shall be incorporated therein by reference to this Agreement and shall survive the delivery thereof.

(ii) Copies of foreclosure deeds, certificates of foreclosure, deeds in lieu of foreclosure and related documents by which the Seller acquired its ownership rights to the REO Properties to the extent applicable and in the possession of, or reasonably available to, the Seller.

(iii) An assignments of leases, assigning to the Purchaser all of the Seller's right, title and interest as landlord in and to leases of the REO Properties or portions thereof, if any, together with security deposits held by the Seller, and pursuant to which the Purchaser assumes all of the Seller's duties and obligations with respect thereto, together with such executed leases as the Seller has in its possession.

(iv) A Bill of Sale duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the tangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

(v) An Assignment of Intangible Personal Property duly executed by the Seller and in proper form to transfer the Seller's right, title and interest in all of the intangible REO Personal Property for all of the REO Property, if any, to the Purchaser.

Loan and REO Purchase Agreement (Secondary)  
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(vi) Keys and any other access devices for each REO Property to the extent available and in the possession of the Seller or instructions as to where such keys and other access devices are located.

(vii) Assignments and assumptions of any franchise agreement, service contract, management contract or liquor license used in or relating to the operation of an REO Property which is a hospitality property, and its amenities, to the extent all necessary approvals and consents to make such assignment have been obtained. The Seller shall promptly assign to the Purchaser and the Purchaser shall assume any such franchise agreement, service contract, management contract or liquor license upon the receipt by the Seller of all approvals and consents which the Seller reasonably considers necessary to make such assignment.

(viii) Assignments and assumptions of the construction contracts described in Schedule 2.04(viii) attached hereto, which -----  
contracts have been delivered to the Purchaser on or before the Bid Information Date. The Purchaser hereby agrees to assume such construction contracts upon their assignment by the Seller to the Purchaser.

(ix) An affidavit stating that the Seller is not a "foreign person" pursuant to Section 1445(b)(2) of the Internal Revenue Code (and the Purchaser agrees that upon the execution and delivery of such to the Purchaser, no deduction shall be made or claimed against the Purchase Price by reason of the requirements of Section 1445 of the Internal Revenue Code).

(x) An affidavit stating that Seller is exempt from the withholding provisions of California Revenue and Taxation Code Sections 18805 and/or 26131.

In the event that, with respect to any REO Property, the Seller does not deliver any item described in clauses (ii) through (ix) above, the Closing shall occur and, if such non-delivery is of a document described in clauses (ii) through (vii) above, then the Purchaser shall have the rights set forth in Section 6.01.

Section 2.05 Recordation of Assignments and Deeds; Transfer Taxes.  
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(a) The Purchaser shall be responsible for and shall bear the expense of recording Assignments and Deeds to the Purchaser.

(b) The Purchaser shall promptly upon the Closing record all Assignments and Deeds and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with the purchase of the Assets contemplated by this Agreement.

(c) The Seller and the Purchaser shall effect the Closing for all or a portion of the Assets through an Escrow Agent, which Escrow Agent may, among other things, prepare, record and deliver Deeds and Assignments, in which case Escrow Agent shall record and deliver such documents in accordance with the terms hereof and any supplementary escrow instructions mutually executed and delivered by the Seller and the Purchaser. The Seller and the Purchaser shall take such actions as the Seller may reasonably require in order to allow the selected transactions to close through the Escrow Agent, including without limitation the depositing of documents with the Escrow Agent. The costs and expenses of the Escrow Agent shall be borne equally by the Seller and the Purchaser.

Loan and REO Purchase Agreement (Secondary)  
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Section 2.06 Risk of Loss; Insurance.  
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(a) From and after the Closing Date the Purchaser assumes all risk of loss to the Properties and shall arrange for insurance coverage at its discretion.

(b) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers a Material Loss, then the related Asset will not be sold (and the related Mortgage Loan or REO Property will not be deemed a Mortgage Loan or REO Property hereunder) and the Purchase Price will be reduced by the corresponding Allocated Price.

(c) If after the Cut-off Date and prior to the Closing Date any Property or portion thereof suffers an Insured Loss, then the Purchaser shall purchase the related Asset and the Seller shall assign to the Purchaser the condemnation proceeds or the proceeds of the insurance covering the Insured Loss, as applicable.

(d) If a determination as to whether a Material Loss or an Insured Loss has occurred with respect to a Property cannot be made prior to the Closing Date, the Purchaser shall purchase the related Asset as if such Property had suffered an Insured Loss, provided, however, that if a determination is made

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within sixty (60) days after the Closing Date that such Property suffered a Material Loss, then the Purchaser, at its option, may require the Seller to repurchase the related Asset at its Repurchase Price by so notifying the Seller within ten (10) Business Days of such determination. The Seller's obligation to repurchase any Asset pursuant to this Section 2.06(d) shall be subject to earlier termination under Section 6.02 hereof.

Section 2.07 Allocation of Mortgage Loan Payments.  
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(a) Subject to the Closing, funds received with respect to Mortgage Loans shall be allocated as follows:

(i) With respect to funds received by the Seller prior to the Cut-off Date, (A) the Seller shall be entitled to (1) all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, and (B) the Purchaser shall be entitled to the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to principal upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due.

(ii) With respect to funds received after the Cut-off Date and prior to the Closing Date, (A) the Seller shall be entitled to (1) all interest payments, (2) the portion of Unapplied Funds with respect to a Mortgage Loan that would be applied to interest upon the application of such Unapplied Funds, first to the interest and then to the principal, to the furthest installment payments past due, (3) the interest portion of up to four months of payments due before the Cut-off Date that were deferred by a written agreement with the Mortgagor in connection with the Northridge Earthquake, as described in Schedule

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2.07(a)(ii) attached hereto, (4) payments received to reimburse funds

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advanced by the Seller as described in Section 2.12, (5) payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date, and (6) payments made prior to the Closing Date constituting payment of late fees, and (B) the Purchaser shall

Loan and REO Purchase Agreement (Secondary)  
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be entitled to all principal payments and other recoveries, paid by or on behalf of any Mortgagor with respect to a Mortgage Loan, including without limitation any remaining Unapplied Funds.

(iii) With respect to funds received after the Closing Date, (A) the Purchaser shall be entitled to all interest and principal payments and other recoveries paid by or on behalf of any Mortgagor, and (B) the Seller shall be entitled to payments made to pay down the principal balance of a Mortgage Loan in connection with a Pending Loan Modification entered into by the Seller and a Mortgagor prior to the Bid Information Date. The Purchaser shall pay over to the Seller any amounts received by the Purchaser to which the Seller is entitled, within ten (10) Business Days after the receipt thereof.

(b) All payments that are received prior to the Closing Date by the Seller and that are allocated to Purchaser under Section 2.07(a) shall be either added to the Estimated Apportionment Amount payable to the Purchaser or credited toward the Estimated Apportionment Amount payable to the Seller, as applicable. All such payments accepted by the Seller on or after the Closing Date shall be held for the benefit of the Purchaser and delivered to the Purchaser promptly after receipt thereof. Notwithstanding the foregoing, with respect to a foreclosure of a Mortgage Loan or an REO Loan or the taking of a deed in lieu of foreclosure, funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be apportioned as of the Closing Date in the manner set forth in Section 2.09; and with respect to a foreclosure or similar proceeding that results in the reinstatement of a Mortgage Loan (whether or not such Mortgage Loan is modified in such proceeding), funds received by the Seller or the Purchaser after the Cut-off Date from any receiver or trustee or debtor-in-possession pursuant to a bankruptcy proceeding, whether received prior to or after the Closing Date, shall be allocated in the manner set forth in Section 2.07(a). The Seller and the Purchaser agree to notify each other of the receipt of any such payments, including without limitation payments received after the Closing Date.

Section 2.08 Escrow Balances.  
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From and after the Closing Date, but subject to the Servicing Agreement, the Purchaser hereby agrees to assume, undertake and discharge any and all obligations of the Seller as may relate to Escrow Balances, including without limitation any obligation to pay interest accruing after the Closing Date to any Mortgagor on the Escrow Balances, if required by applicable law. All Escrow Balances relating to the Mortgage Loans or the REO Property as of the Closing Date shall be transferred to the Purchaser, and the Seller shall pay over and/or deliver such amounts to the Purchaser within ten (10) Business Days after the Closing Date against the Purchaser's acknowledgment of receipt thereof. The Purchaser hereby indemnifies and holds the Seller harmless against any and all Claims made as a result of the Purchaser's violation of applicable law, or application of funds, with respect to and only to the extent of the Escrow Balances transferred to the Purchaser hereunder.

Section 2.09 Apportionments.  
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(a) The following items received or paid by or on behalf of the Seller prior to the Closing Date shall be apportioned between the Seller and the Purchaser as of 11:59 p.m. on the day preceding the Closing Date:

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(i) All payments, rents and other income or proceeds with respect to the related REO Property (including without limitation payments of the kind described in Section 2.07 with respect to a Mortgaged Property that became an REO Property prior to the Closing Date), on a cash basis, including without limitation, rents, month to month holdover charges, furniture rentals, corporate rentals and services, and laundry equipment rentals.

(ii) Real property taxes and assessments, and amounts prepaid or payable for any hazard insurance policy or other insurance policy being transferred to the Purchaser.

(iii) Utility charges, including water, sewer, electricity and gas, and maintenance charges, if any, for sewers. In conjunction with such apportionments, the Purchaser and the Seller shall notify, or cause to be notified, all utilities servicing the REO Properties of the change in ownership and direct that all future billings be made to the Purchaser at the address of the REO Property with no interruption of service and the Seller shall secure the release of any such utility deposits, provided that the Purchaser shall cooperate in the same without expense to the Purchaser. The Seller shall use its best efforts to procure final meter readings for all utilities as of the Closing Date and to have such bills rendered directly to the Seller. To the extent that tenants are responsible for and receive all such statements, no such notifications shall be required.

(iv) Fees and charges under any management, service, supply, security, maintenance or other similar contracts, and common charges and Condominium Association dues and charges adversely affecting any Condominium Unit or REO Condominium Unit that give rise to a lien thereon prior in right to that of the Seller.

(v) Cash amounts maintained in operating accounts on behalf of any REO Property which is a hospitality property shall be deemed to be expenses prepaid by the Seller on behalf of the Purchaser for expenses to be incurred after the Closing Date, provided that such amounts shall be only that which is reasonably necessary to continue the day-to-day operations of such hospitality property and its related amenities and such amounts shall be transferred to the account of the Purchaser.

(vi) Other operating expenses for the REO Properties, including without limitation prepaid expenses and accounts payable with respect to such expenses.

(b) The actual net amount of the apportionments described in Section 2.09(a) shall be the "Apportionment Amount." For purposes of the Closing Date

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the Seller shall calculate an estimate of the Apportionment Amount (the "Estimated Apportionment Amount"), on the basis of the actual amounts of any

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items apportioned if known by the Seller as of the Closing Date, or the Seller's good faith estimation of such amounts, if not so known. The Estimated Apportionment Amount shall be adjusted in accordance with the provisions of Sections 2.07, 2.12 and 2.13. The Seller or the Purchaser, as applicable, shall pay to the other party the Estimated Apportionment Amount in accordance with Section 2.01. The Seller shall deliver a reconciliation report to the Purchaser within sixty (60) days after the Closing Date which shall set forth the actual deviations from any such good faith estimations and the overall deviation between the Apportionment Amount and the Estimated Apportionment Amount (the "Deviation Amount"). The party which received the benefit of the Deviation

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Amount shall pay such amount to the other party hereto by wire transfer of immediately available funds to the account specified by the Seller or the Purchaser, as

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the case may be, within ten (10) Business Days after the Seller delivers such reconciliation report to the Purchaser, or if no account is specified before two Business Days prior to such date, by bank certified check payable in next day funds.

Section 2.10 Payment of Expenses.  
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After the date of this Agreement, the Seller shall continue to pay any expenses of the kind described in Section 2.09 which become due and payable in the ordinary course of business and include such expenses in the apportionment under Section 2.09. The Seller shall not pay any such expenses becoming due and payable on or after the Closing Date.

Section 2.11 Legal Proceedings.  
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(a) With respect to any Mortgage Loan or REO Property that is, as of the Closing Date, the subject of litigation or other legal proceeding (including, without limitation, a bankruptcy, eviction, foreclosure or receivership proceeding), the Purchaser agrees that it shall, at its own cost, within thirty (30) days after the Closing Date, (i) notify the Mortgagor thereunder, the Clerk of the Court, all parties who have appeared, all counsel of record and any other Person required by law to be notified, in each such proceeding, of the transfer of the Mortgage Loan or REO Property, as the case may be, from the Seller to the Purchaser, (ii) file pleadings to relieve the Seller's counsel of record from further responsibility in such litigation or other legal proceeding (unless said counsel has agreed, with the Seller's written consent, to represent the Purchaser in said proceedings at the Purchaser's expense), and (iii) remove the Seller as a party in such action and substitute the Purchaser as the real party-in-interest, and change the caption thereof accordingly. In connection therewith, after the Closing Date, the Purchaser shall have the sole responsibility to obtain all documents pertaining to the Mortgage Loan or REO Property, as the case may be, then in the possession of any such counsel and to determine the appropriate direction and strategy for such litigation or other legal proceeding. The Seller agrees to cooperate and use reasonable efforts to assist the Purchaser in obtaining the release of such documents to the Purchaser. The Purchaser acknowledges that its failure to comply with the provisions of this Section 2.11 may affect the Purchaser's rights in any such litigation or other legal proceeding (and may result, without limitation, in dismissal with prejudice or the running of any statute of limitations). If the Purchaser fails to comply with the above requirements (i) through (iii), the Seller may, but is not obligated to, take such actions as it deems necessary to effectuate the provisions of this Section 2.11. Notwithstanding the foregoing, this Section 2.11 shall not apply to any litigation in which the Seller is named as a party defendant.

(b) Any costs and legal fees incurred by the Seller in connection with such litigation or other legal proceeding from and after the Cut-off Date, including without limitation any fees and costs incurred by the Seller in connection with the Purchaser's failure to comply with the above requirements, shall be reimbursed by the Purchaser and the Purchaser hereby indemnifies the Seller therefor. If, after the Closing Date, either party receives an invoice for any legal fees and costs incurred in connection with such litigation or other legal proceeding that are payable by the other party, then the party receiving such invoice shall promptly forward such invoice to the other party and such other party shall pay directly or, in the event the party receiving such invoice has paid the amounts due thereon, reimburse the party receiving the invoice promptly, but not later than ten (10) Business Days following receipt of such invoice.

(c) If the Purchaser shall receive any pleadings relating to any Mortgage Loan or REO Property that name the Seller as a party, then immediately following receipt of any such pleadings the Purchaser shall notify the Seller thereof and promptly deliver copies of such pleadings to the Seller and otherwise comply with the provisions of this Section 2.11.

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Section 2.12 Unreimbursed Advances.  
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Amounts paid by the Seller either pursuant to an agreement with a Mortgagor or as part of the administration and servicing of a Mortgage Loan from the Seller's own funds in payment of real estate taxes, insurance premiums, ground lease rents or other similar costs attributable to the Mortgaged Property, including without limitation Escrow Advances, which are an obligation of the Mortgagor but have not been paid by the Mortgagor prior to the Closing Date shall be either added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable. The right to receive repayment from the Mortgagor of such amounts after the Closing Date shall be transferred to the Purchaser.

Section 2.13 Pending Loan Modifications.  
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(a) The Purchaser acknowledges and agrees that, after the Cut-off Date and prior to the Closing Date, the Seller may continue to negotiate or consummate Pending Loan Modifications and, until the Bid Information Date, may enter into negotiations with Mortgagors that may result in Pending Loan Modifications, consistent with past practice, provided, however, that the Seller

shall not, on or after the Bid Information Date, enter into any loan modification other than a modification shown on the Pending Loan Modification Schedule as of the Bid Information Date without the consent of the Purchaser. The modification documents used to consummate any Pending Loan Modification shall substantially conform with the description set forth in the Pending Loan Modification Schedule. The Seller makes no representation or warranty as to whether any or all of the Pending Loan Modifications will be consummated.

(b) There shall be added to the Estimated Apportionment Amount payable to the Seller or credited toward the Estimated Apportionment Amount payable to the Purchaser, as applicable, the amount of funds advanced to Mortgagors pursuant to Pending Loan Modifications that have been consummated prior to the Closing Date as reflected on the Pending Loan Modifications Schedule updated to the Closing Date.

(c) As of the Closing Date, the Purchaser shall assume the rights and obligations of the Seller with respect to ongoing negotiations with Mortgagors and the consummation of Pending Loan Modifications and the advancement of any funds required thereunder.

Section 2.14 Delinquent Real Estate Taxes and Assessments.  
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The Purchaser shall be responsible for the payment of all delinquent real estate taxes and assessments existing as of the Closing Date with respect to any Mortgaged Property, and any penalties and interest thereon, provided,

however, that the Seller shall reimburse the Purchaser for any and all such payments made by the Purchaser after the Purchaser has paid in the aggregate \$119,000 for such payments, promptly upon receipt from the Purchaser of a statement therefor.

Section 2.15 Continuing Cooperation; Subsequent Documentation.  
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At any time, and from time to time after the Closing Date, upon the reasonable request of either party hereto, and at the expense of such party, the other party shall do, execute, acknowledge and deliver, and shall cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required in order to accomplish any provision herein, including without limitation the assignment of any financing statements, guarantees and the like. In addition, in the event that the Seller determines subsequent to the Closing Date that it needs access to any documents relating to a Mortgage Loan or REO Property for accounting, tax, litigation or other purposes, the Purchaser

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shall promptly provide copies of such documents to the Seller, to the extent in the Purchaser's possession, and at the Seller's expense.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Section 3.01 General Representations and Warranties of the Seller.  
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The Seller represents and warrants to the Purchaser that as of the date hereof and as of the Closing Date:

(i) Due Organization. The Seller is a federal savings bank,  
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duly chartered, validly existing and in good standing under the federal laws of the United States.

(ii) Authorization; Binding Obligation. The Seller has the  
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corporate power and authority to hold each Asset, to sell each Asset, to execute, deliver and perform this Agreement, and to enter into and consummate all transactions contemplated by this Agreement. The Seller has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(iii) No Conflict. The consummation of the transactions  
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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement.

(iv) No Litigation. Except for unlawful detainer actions and  
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actions under the United States Bankruptcy Code against a tenant of a Property or involving a Mortgagor and receivership proceedings with respect to a Mortgaged Property, and except as set forth in Schedule

3.01(iv) hereto, there is no action, suit proceeding or investigation  
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pending or, to the Seller's knowledge, threatened against the Seller or relating to any Asset, which challenges, relates to, or adversely affects the right, title or interest of the Seller in or to such Asset or, if determined adversely to the Seller, would prevent the consummation of the sale of such Asset to the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval, authorization  
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or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations

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hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

(vi) Foreign Person. The Seller is not a foreign person

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within the meaning of Section 1445(f) of the Internal Revenue Code, and the Seller agrees to execute any and all documents necessary or required by the Internal Revenue Service in connection with such declaration.

Section 3.02 Representations and Warranties as to the Mortgage Loans.  
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The Seller hereby represents and warrants to the Purchaser that, as of the Closing Date:

(i) True Information. The information set forth on the

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Mortgage Loan Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and the related Mortgage Loan appears on the Mortgage Loan Schedule.

(ii) Ownership. The Seller has good title to, and is the sole

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owner of, each Mortgage Loan Asset, free and clear, except as set forth on the Mortgage Loan Schedule, of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance.

(iii) Full Disbursement. Each Mortgage Loan has closed and the

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proceeds of each Mortgage Loan have been fully disbursed and there is no requirement for future advances to the Mortgagor thereunder except as described in the Pending Loan Modification Schedule. For purposes hereof, capitalization of interest pursuant to a negative amortization provision shall not be deemed to be an "advance" to the Mortgagor, and any Escrow Payments shall be deemed fully disbursed.

(iv) First Lien. In the case of each Mortgage Loan, the

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related Mortgage has been properly recorded and is a valid first lien on the related Mortgaged Property, including all improvements on such Mortgaged Property, securing the amounts owed on the related Mortgage Note, subject only to Permitted Encumbrances and delinquent real estate taxes and assessments. The Seller makes no representation or warranty with reference to the perfection or priority, under the Uniform Commercial Code, of any security interest in personal property.

(v) No Modification. The terms of the Mortgage Notes or the

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Mortgages have not been altered, modified or waived by Seller in any respect, except by a written instrument contained in the Loan Documents in the Investors' Review Files (and recorded in the case of a Mortgage, if necessary, in order to maintain the first priority lien thereof) or as set forth in the Pending Loan Modification Schedules or Schedule 2.07(a)(ii).

(vi) Title Insurance. Each Mortgage Loan is covered by an

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ALTA lender's title insurance policy, or other form of title insurance policy generally acceptable to prudent institutional lenders, issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring, subject only to exceptions described in such policy, the Seller, its successors and

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assigns as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan. The title insurance policy is in full force and effect and will be in full force and effect on the Closing Date and will inure to the benefit of the Purchaser without any further act. To the best of the Seller's knowledge, no claims have been made under any such title insurance policy.

(vii) Hazard Insurance. Each Mortgage securing a Mortgage Loan

requires the Mortgagor thereunder to maintain a fire and other hazard insurance policy covering such losses as are covered under a standard extended coverage endorsement with mortgagee rights and protections customary for mortgage lending practices in the locality in which the Mortgaged Property is located, and, to the extent required as of the date of origination of such Mortgage by the Seller consistent with its normal mortgage lending practice, against other risks insured against by persons operating like properties in the locality of the Mortgaged Property.

(viii) No Release. No Mortgage Note or Mortgage has been

satisfied, canceled, subordinated to another mortgage or rescinded, in whole or in part, and no Mortgaged Property has been released from the lien of the related Mortgage, in whole or in part, except to the extent that any related Mortgaged Properties have become REO Properties prior to the Closing Date.

(ix) Compliance with Laws. With respect to each Mortgage

Loan, there is no material violation by the Seller of any law pertaining to usury, truth-in-lending, consumer credit protection, equal credit opportunity or any similar law applicable to the origination of such Mortgage Loan at the time it was made, which violation would give rise to a valid defense on the part of the Mortgagor that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

(x) No Defenses. Except as described in Schedule 3.01(iv)

hereto, no Mortgage Loan is subject to any valid right of rescission, set-off, abatement or diminution, or any valid counterclaim or defense that would prevent the Purchaser from foreclosing upon the property mortgaged or pledged as collateral for such Mortgage Loan.

(xi) Enforceability. Each Mortgage Note and Mortgage is

genuine and constitutes the legal, valid and binding obligation of the obligor thereunder, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and each contains provisions customary among prudent institutional mortgage lenders so as to render the rights and remedies of the secured lender thereunder adequate for the realization of the material benefits of the security provided thereby.

(xii) No Cross-Collateralization. No Mortgage Loan is secured

by any real estate collateral except the lien of the related Mortgage, an assignment of the related leases, and any related security agreement; no Mortgaged Property or REO Property secures any other mortgage loan not included in the pool of Mortgage Loans sold under this Agreement; nor is any Mortgage Loan cross-defaulted with any other mortgage loan nor is any Mortgage Loan secured by the mortgaged property which secures another mortgage loan; except that there may be additional

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security, cross-collateralization or cross-defaulting if all the cross-collateralized and cross-defaulted Mortgage Loans are included in the pool of Mortgage Loans sold under this Agreement and Mortgaged Properties may secure other Mortgage Loans, if the Mortgage Loans are all included in the pool of Mortgage Loans sold under this Agreement.

(xiii) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related Mortgage Loan. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

(xiv) Condemnation. To the best of the Seller's knowledge,

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there is no proceeding pending or threatened for the total or partial condemnation of any Mortgaged Property so as to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the Premises were intended.

(xv) Originator. Each Mortgage Loan was originated by the

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Seller, a subsidiary of the Seller, or a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a federal or state banking authority.

(xvi) No Fraud. There was no fraud on the part of the Seller

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with respect to the origination of any Mortgage Loan originated by the Seller.

Section 3.03 Representations and Warranties as to the REO Properties.

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The Seller hereby represents and warrants to the Purchaser that, as of the Closing Date:

(i) True Information. The information set forth on the REO

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Property Schedule is true and correct in all material respects, except to the extent that any Mortgaged Properties have become REO Properties prior to the Closing Date and such REO Property does not appear on the REO Property Schedule (and the related Mortgage Loan appears on the Mortgage Loan Schedule).

(ii) Ownership and Title. With respect to each REO Property,

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the Seller has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances.

(iii) No Delinquencies. There are no delinquent taxes, ground

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rents, water charges, sewer rents, assessments or other similar delinquent charges adversely affecting any REO Property that gives rise to a lien thereon.

(iv) Condemnation. To the best of the Seller's knowledge, there is no proceeding pending or threatened for the total or partial condemnation of any REO

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Property so as to adversely affect the value of the REO Property or the use for which the Premises were intended.

(v) Investors' Review File. To the best of the Seller's

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knowledge, each Investors' Review File contains all information in the Seller's possession or under the Seller's control which is material to an evaluation of the related REO Property. The Seller makes no representation or warranty as to the accuracy of information contained in documents or papers in an Investors' Review File which have been provided to the Seller by third persons. The Seller makes no representation or warranty as to any opinion of value contained in the Investors' Review File. The Purchaser acknowledges that the Investors' Review File may not include all opinions of value in the Seller's possession, if any.

#### ARTICLE IV

##### REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASER

###### Section 4.01 Representations and Warranties of the Purchaser

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The Purchaser represents and warrants to the Seller that as of the date hereof and as of the Closing Date:

(i) Due Organization. Each of the entities comprising the

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Purchaser has been duly organized and is validly existing and in good standing as a corporation or partnership, as the case may be, under the laws of the state of its organization.

(ii) Authorization; Binding Obligation. The Purchaser has the

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corporate power and authority to execute, deliver and perform this Agreement and to enter into and consummate all the transactions contemplated by this Agreement. The Purchaser has duly authorized the execution, delivery and performance of this Agreement and has duly executed and delivered this Agreement, and this Agreement, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding inequity or at law).

(iii) No Conflict. The consummation of the transactions

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contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party, or constitute a default or result in an acceleration under any of the foregoing, or result in violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

(iv) No Litigation. There is no action, suit proceeding or

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investigation pending or, to the Purchaser's knowledge, threatened against the Purchaser, which,

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if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby.

(v) No Consent Required. No consent, approval,

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authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents. The Purchaser acknowledges and agrees that the Seller makes no representations or warranties, and there can be no assurances, as to whether or not the Post-Closing Consents will be obtained or as to the time and expense required to obtain such Post-Closing Consents. The Seller shall cooperate with the Purchaser and make every reasonable effort to obtain the Post-Closing Consents, provided,

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however, that the costs of obtaining the Post-Closing

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Consents and the risk of any failure to obtain the Post-Closing Consents shall be borne by the Purchaser.

(vi) Decision to Purchase. The Purchaser is a sophisticated

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investor and its bid and decision to purchase the Assets are based upon its own independent expert evaluations of the Due Diligence Materials and other materials deemed relevant by the Purchaser and its agents. The Purchaser has had an opportunity to examine the Properties and hereby accepts the physical condition and state of repair thereof. The Purchaser hereby expressly acknowledges that it is fully aware of the physical condition and state of repair of the Properties and has inspected the Properties to the extent it has deemed necessary and agrees to purchase the Assets taking into account the related Properties in their "as is" condition "with all faults" as of the Closing Date (including, with respect to Condominium Units and REO Condominium Units, the "as is" condition "with all faults" of the related Condominium Project), except to the extent that the Seller has expressly made a representation or warranty in this Agreement. The Purchaser is entering into this Agreement based solely upon such evaluations and inspections, and has not relied upon any oral or written information or any representations or warranties whatsoever from the Seller or any of its respective employees, affiliates, agents or representatives, other than the representations and warranties of the Seller expressly contained herein. WITHOUT LIMITATION OF THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES EXCEPT AS EXPRESSLY CONTAINED IN THIS AGREEMENT, AS TO THE MORTGAGORS, THE PROPERTIES (INCLUDING, WITHOUT LIMITATION, THE VALUE, MARKETABILITY, CONDITION OR FUTURE PERFORMANCE THEREOF, THE EXISTENCE OF ANY LEASES OR THE STATUS OF ANY TENANCIES OR OCCUPANCIES WITH RESPECT THERETO, THE APPLICABILITY OF ANY RENT CONTROL OR RENT STABILIZATION LAWS, OR THE COMPLIANCE OR LACK OF COMPLIANCE THEREOF WITH ANY LAWS, INCLUDING WITHOUT LIMITATION ENVIRONMENTAL AND LAND USE OR OCCUPANCY LAWS) OR OTHERWISE, AND THAT NO EMPLOYEE OR REPRESENTATIVE OF THE SELLER HAS BEEN AUTHORIZED TO MAKE ANY STATEMENTS OR REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT.

(vii) Due Diligence. The Purchaser has been urged, invited and

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directed to conduct such due diligence review and analysis of the Investors' Review Files

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and related information, together with such records as are generally available to the public from local, county, state and federal authorities, record-keeping offices and courts, as the Purchaser deemed necessary, proper or appropriate in order to make a complete informed decision with respect to the purchase and acquisition of the Assets. The Purchaser acknowledges that it has had the opportunity to conduct legal, environmental, on-site and other appropriate due diligence as to each Asset. The Purchaser acknowledges that certain of the Properties were in the geographical area affected by the Northridge Earthquake, and that certain Mortgagors have received loans to repair damage caused by the Northridge Earthquake, some of which loans are unsecured, or secured by liens subordinate to the related Mortgage, and that such unsecured or subordinate loans are not being transferred to the Purchaser. The Purchaser represents that it has conducted its due diligence with full consideration of the foregoing.

(viii) Economic Risk. The Purchaser acknowledges that the

Assets may have limited or no liquidity and the Purchaser has the financial wherewithal to own the Assets for an indefinite period of time and to bear the economic risk of an outright purchase of the Mortgage Loans and a total loss of the Purchase Price for the Assets.

(ix) Nondisclosure. The Purchaser is in full compliance with

its obligations under the terms of any confidentiality agreement executed by the Purchaser to review the information made available by Seller to all potential buyers of the Assets, and the Purchaser acknowledges that any such agreement is not superseded or abrogated by this Agreement, including without limitation as to (a) any liability incurred by the Purchaser for any non-compliance prior to the date of this Agreement or (b) any Assets reviewed by the Purchaser but not acquired by the Purchaser.

(x) Assistance of Third Parties. The Purchaser hereby agrees

and acknowledges that the Seller shall have no responsibility or liability to the Purchaser arising out of or related to any third parties' failure to assist or cooperate with the Purchaser except with respect to the Seller's own employees. In addition, the Purchaser is not relying upon the continued actions or efforts of the Seller (except as specifically set forth herein) or any third party in connection with its decision to purchase the Assets. The risks attendant to the potential failure or refusal of third parties to assist or cooperate with the Purchaser and/or the Seller in the effective transfer and assignment of the Assets, and/or related Properties shall be borne by the Purchaser.

(xi) Enforcement/Legal Actions. The Purchaser shall not

institute any enforcement or legal action or proceeding in the name of the Seller. The Purchaser shall not, except where circumstances reasonably require revealing the purchase of the Assets from the Seller, make reference to the Seller in any correspondence to or discussion with any particular Mortgagor regarding enforcement or collection of the Assets or sale, rental or other disposition of any of the Properties. The Purchaser shall not misrepresent, mislead, deceive, or otherwise fail to adequately disclose to any particular obligor or guarantor the identity of the Purchaser, the owner of the Assets and possession of the Loan Documents. Except as specified above, the Purchaser shall not use the Seller's name, or any name derived therefrom or confusingly similar therewith in connection with the Purchaser's enforcement, collection, or management of the Assets. The Purchaser agrees and acknowledges

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that there may be no adequate remedy at law for a violation of the terms of this subsection, and the Seller shall have the right to seek the entry of an order by a court of competent jurisdiction enjoining any violation hereof.

(xii) Indemnification of Mortgage Trustee. Purchaser shall

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indemnify, defend and hold Gateway Mortgage Company, a subsidiary of the Seller ("Gateway"), and its officers, directors, employees, agents, affiliates, successors and assigns (each a "Gateway

Representative") harmless from and against any and all Claims based

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upon, arising from or relating to Gateway's or any Gateway Representative's acts or omissions as trustee of any Mortgage from the Closing Date until the date on which Gateway no longer serves as the trustee of such Mortgage; provided that such obligation to indemnify, defend and hold harmless shall apply only to Claims asserted against the Purchaser and Gateway or any Gateway Representative concurrently by the party making the Claim and shall not apply to the gross negligence or willful misconduct of Gateway or a Gateway Representative. Gateway or the Gateway Representative shall promptly notify the Purchaser of any such Claim and the Purchaser shall have the right to assume the defense with respect thereto and control the defense thereof with counsel of the Purchaser's reasonable choice. If the Purchaser elects not to assume such defense, Gateway or the Gateway Representative shall assume the defense of such Claim, and the Purchaser shall reimburse Gateway or the Gateway Representative for its reasonable out-of-pocket legal fees and expenses and costs of investigation with respect to such Claim as the same are incurred. In no event shall Gateway or the Gateway Representative consent to the settlement of any Claim with a third party without the prior written consent of the Purchaser. It is the intent of the Seller and the Purchaser that the obligations of the Purchaser under this subsection shall survive the Closing and the transfer of servicing of the Mortgage Loans, and that Gateway be a third party beneficiary to the provisions of this subsection.

ARTICLE V

SPECIAL REPRESENTATIONS, WARRANTIES AND  
COVENANTS CONCERNING STRUCTURAL DEFECTS AND  
ENVIRONMENTAL HAZARDS; REMEDIES

Section 5.01 Structural Defects.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section, all of the Structural Defects, if any, in any Property which are not disclosed in the Investors' Review File for the related Mortgage Loan or REO Property, or otherwise disclosed in writing to the Purchaser on or before the Bid Information Date, would not, in the aggregate for such Property, require for their restoration or repair, an amount in excess of the Cure Threshold for such Property.

Section 5.02 Environmental Hazards.  
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The Seller represents and warrants to the Purchaser as of the Closing Date that, subject to the limitations contained in the definitions applicable to this Section and in the following sentence, there is no Environmental Hazard in, on or under any Property which would require for its remediation an amount in excess of the Cure Threshold for such Property. No representation or warranty is made with respect to any Property on which the Premises consist of a single family residence.

Loan and REO Purchase Agreement (Secondary)  
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Section 5.03 Certificate of Structural Defect.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.01 because there is an undisclosed Structural Defect, the Purchaser shall deliver to the Seller a notice and certificate of structural defect ("Notice of Defect"). A Notice of

Defect shall (i) identify the Mortgaged Property or REO Property which the Purchaser contends has a Structural Defect, (ii) describe the claimed Structural Defect in detail, (iii) include a report from a licensed structural engineer describing the claimed Structural Defect, (iv) include such licensed structural engineer's (A) estimate of the cost to cure such Structural Defect and the repairs to be made, listing materials and component items (the "Cure Estimate"),

or (B) statement that the Structural Defect cannot be cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the Purchaser and such licensed structural engineer to determine that a Structural Defect exists and to prepare the Cure Estimate. The Notice of Defect shall be signed by an officer of the Purchaser.

Section 5.04 Certificate of Environmental Hazard.  
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If the Purchaser believes that the Seller is in breach of the representation and warranty given in Section 5.02, the Purchaser may deliver to the Seller a notice and certificate of environmental hazard ("Notice of

Hazard"). A Notice of Hazard shall (i) identify the Mortgaged Property or REO Property which the Purchaser contends has an Environmental Hazard, (ii) describe the claimed Environmental Hazard in detail, (iii) include a report from a Registered Professional Engineer or a Registered Engineering Geologist with substantial expertise in environmental matters (an "Environmental Engineer")

describing the claimed Environmental Hazard, (iv) include such Environmental Engineer's (A) estimate of the cost to cure such Environmental Hazard and the repairs to be made, listing materials and component items (the "Cure Estimate"),

or (B) statement that the Environmental Hazard cannot be cured, and (v) be accompanied by reports, correspondence, photographs and any other materials used by the Purchaser and such Environmental Engineer to determine that a Environmental Hazard exists and to prepare the Cure Estimate. The Notice of Hazard shall be signed by an officer of the Purchaser.

Section 5.05 Limitations.  
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(a) The representations and warranties in Section 5.01 and Section 5.02 shall terminate and be of no further effect on the earlier of (i) the sixtieth calendar day following the Closing Date, and (ii) the acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by the Purchaser, and no Notice of Defect or Notice of Hazard given by the Purchaser to the Seller after the close of business on that date shall have any force or effect, unless that time has been extended as provided in Section 5.05(b).

(b) Only one Notice of Defect and one Notice of Hazard may be given for any Mortgaged Property or REO Property. If, after diligent and good faith efforts (including without limitation, requesting the assistance of the Seller) to gain access to a Mortgaged Property or an REO Property in order to obtain the report or assessment described in Section 5.01 or 5.02, the Purchaser is unable to gain such access prior to the forty-fifth calendar day following the Closing Date, the date referred to in Section 5.05(a)(i) shall be extended for one day for each day of delay in gaining such access up to a maximum of thirty (30) additional days.

Loan and REO Purchase Agreement (Secondary)  
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Section 5.06 Seller's Options.

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Upon receipt of a Notice of Defect or Notice of Hazard, given on or prior to the sixtieth calendar day following the Closing Date (or such extended date as is provided for in Section 5.05(b)), the Seller shall have the following options as to the Mortgage Loan or REO Property to which it relates, to be exercised within sixty (60) days after the Notice of Defect or Notice of Hazard:

(i) The Seller may repurchase the related Asset under the terms of Article VI, without reference to the cure provisions of Article VI.

(ii) The Seller may give notice to the Purchaser that the Seller disputes the accuracy of the Cure Estimate. If the Seller gives such notice, the Purchaser shall, within fifteen (15) days, obtain a second bid for the work from licensed contractors that are independent from those that prepared the Cure Estimate and are not affiliates or employees of the Seller, and deliver such bid to the Seller. The Seller shall, within such period, obtain a third bid for the work from licensed contractors and shall then reimburse the Purchaser, by depositing in an escrow account as described in subsection (iii) below, an amount equal to the average of the two lowest bids among the Cure Estimate, the second bid and the third bid, less the Cure Threshold amount.

(iii) The Seller may give notice that if the Purchaser cures the claimed Structural Defect, or remediates the claimed Environmental Hazard, as the case may be, the Seller will reimburse the Purchaser for the Purchaser's actual costs above the Cure Threshold amount. If the Seller gives such notice, the Seller will forthwith deposit into an escrow account, jointly controlled by the Purchaser and the Seller, the difference between the Cure Threshold amount and the Cure Estimate. Upon completion of the cure or remediation (performed as contemplated by the Cure Estimate), the Seller shall pay the Purchaser the difference between the Cure Threshold amount and the actual costs of cure or remediation by disbursement to the Purchaser of the amount held in escrow and further payment by the Seller to the extent the amount held in escrow is insufficient. Any balance of the escrow account after such payment to the Purchaser shall be returned to the Seller.

(iv) The Seller may give notice accompanied by written information showing the basis of its assertion that it asserts (A) the claimed Structural Defect was disclosed to the Purchaser on or prior to the Bid Date, or (B) the claimed condition in whole or part does not meet the definition of Structural Defect or of Environmental Hazard. If the Seller gives such notice, all of the rights, obligations and time periods provided in this Article V shall be preserved and extended until all issues with respect to the disclosure or existence of the claimed Structural Defect or Environmental Hazard are resolved.

(v) If the Seller makes no election within the time provided, the Seller shall repurchase the related Asset under the terms and subject to the limitations of Article VI, without reference to the cure provisions of Article VI, no later than the 45th day following the Notice of Defect or the Notice of Hazard.

Loan and REO Purchase Agreement (Secondary)

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Section 5.07 Environmental Risks.  
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The Purchaser acknowledges and agrees that there may be certain environmental issues and/or risks with respect to a Property (including the Premises) which may or may not be visible or apparent and which may or may not be above or below the surface thereof. Any materials relating to environmental conditions which may be in the Investors' Review File or is otherwise provided or made available by the Seller, is provided with no representations whatsoever as to the accuracy, completeness or timeliness of any information contained in such report or materials, or the expertise with which they were prepared. The Purchaser acknowledges that the Seller has not prepared or warranted such information, and that the Seller shall have no liability whatsoever in connection with such report or materials.

Section 5.08 Purchaser's Release of Seller.  
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The Purchaser, for itself, its successors and its assigns, hereby releases and discharges the Seller and its officers, directors, employees, successors and assigns from and against any and all claims, demands, liabilities, obligations, damages, actions, causes of action, judgments, liens, bonding requirements, losses, expenses, fines, charges, penalties, administrative and judicial proceedings and orders, and enforcement actions of every kind, including attorneys' fees and court costs ("Claims"), known or

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unknown, present or future, fixed or contingent, against the Seller at any time by reason of or arising out of the violation of the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws by any Person, or the presence of hazardous materials on any Property. Nothing in this Section 5.08 is intended to alter any obligation of Seller under the warranty contained in Section 5.02.

The Purchaser, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released in this Section 5.08 are not limited to matters that are known or disclosed, and the Purchaser hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the Civil Code of the State of California (or any other statute or common law principles of similar effect), which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

In this connection, the Purchaser hereby agrees, represents, and warrants that it realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims that are presently unknown, unanticipated, and unsuspected, and it further agrees, represents, and warrants that this release has been negotiated and agreed upon in light of that realization and it nevertheless hereby intends to release, discharge, and acquit the Seller and its officers, directors, employees, successors and assigns from any such unknown Claims described in the first paragraph of this Section 5.08.

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ARTICLE VI

REMEDIES

Section 6.01 Breach of the Seller's Representations and Warranties;

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Non-delivery of Documents; Cure; Repurchase.  
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Upon discovery by the Purchaser of (i) a breach of any of the representations and warranties contained in Article III with respect to an Asset for which a good faith estimate of the cost to cure such breach exceeds the Cure Threshold or (ii) the Seller's failure to deliver any document described in Section 2.03(iv)-(viii) and Section 2.04(ii)-(vii), the Purchaser shall give the Seller prompt written notice of such breach or non-delivery specifying in detail such breach or non-delivery and, in the case of a breach, the basis for the estimate of the cost to cure such breach. Such notice shall be given, in the case of any such breach, not later than one (1) day prior to the day on which the Seller's obligation to repurchase such Asset terminates pursuant to Section 6.02 or, in the case of any such non-delivery of documents, not later than twenty (20) Business Days after the termination of any servicing agreement between the Seller and the Purchaser with respect to the related Mortgage Loan or REO Property, if there is such a servicing agreement, or twenty (20) Business Days after the Closing Date, if there is no such servicing agreement. The Seller shall have a period of sixty (60) days from the date it receives such notice from the Purchaser to correct or cure such breach or non-delivery. With respect to any breach, if, at the expiration of such sixty (60) day period, the Seller has not cured or corrected such breach but has made reasonable progress toward effecting a cure or correction and the Seller in good faith believes that such breach can be cured or corrected within a reasonable period of time following the expiration of such sixty (60) day period, then the Seller shall give notice thereof to the Purchaser and shall have a reasonable additional period of time to cure or correct such breach; provided, however, that in no

event shall such additional period of time extend beyond ninety (90) days following the expiration of the initial sixty (60) day period. If the Seller does not cure such breach or non-delivery within the time periods referred to in the prior two sentences of this Section 6.01 or, if at any earlier time it becomes reasonably determinable by the Seller that such breach or non-delivery cannot be cured or corrected and the Seller so notifies the Purchaser, then upon notice by the Purchaser to the Seller given not later than twenty (20) Business Days after the expiration of the period or periods of time to cure or correct (or such earlier notice from the Seller), the Seller shall repurchase from the Purchaser at the Repurchase Price the Asset with respect to which such breach or non-delivery relates in accordance with Section 6.03.

Failure by the Purchaser to give any of the notices specified above within any of the periods specified above shall terminate the Seller's obligations under this Section 6.01 with respect to the related Asset. Furthermore, the foregoing shall not be interpreted to limit in any manner the Seller's right to dispute the existence of any breach or non-delivery specified by the Seller in any such notice.

It is understood and agreed that the remedies contained in this Section 6.01 shall be the sole and exclusive remedies of the Purchaser in connection with any breach by the Seller of the representations and warranties contained in Article III.

Section 6.02 Termination of the Seller's Obligation to Repurchase.  
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The Seller's obligations to repurchase any Asset pursuant to Section 6.01, Article V and Section 2.06(d) shall terminate upon the earlier of (A) one hundred eighty (180) days from the Closing Date (or the earlier date provided in Section 2.06(d) or Article V), except to the extent any notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving

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the Seller's obligation to repurchase such Asset has previously been given by the Purchaser to the Seller as required prior thereto, and (B) the first to occur of the following events, whether or not notice of breach, non-delivery, Structural Defect, Environmental Hazard or other notice involving the Seller's obligation to repurchase such Asset has previously been given to the Seller:

(i) Any material alteration, modification or waiver of the terms of the related Mortgage Loan, Mortgage Note or Mortgage. Without limitation, it shall be deemed material to modify the Mortgage Loan by extending the maturity date for one year or more, reducing the interest rate by one percentage point or more, reducing the principal balance by ten percent or more, releasing any real property from the Mortgage, or any guaranty or surety, other than as required, and reducing the installment payment amounts such that the Mortgage Loan begins to negatively amortize. Forbearance for four months or less shall not be deemed a material modification.

(ii) The payment in full by Mortgagor or any guarantor or surety, satisfaction, cancellation, release, discharge, subordination or rescission of the related Mortgage Loan, Mortgage Note or Mortgage.

(iii) The transfer of title to the related REO Property or the transfer of the related Mortgage Loan, Mortgage Note or Mortgage, unless such transfer is to an affiliate of the Purchaser.

(iv) The condemnation of, or a casualty with respect to, the related Property or a material part thereof, except as provided in Section 6.05.

(v) The taking of any action or any inaction by the Purchaser that would subject the related Mortgage Loan to any valid right of rescission, set-off, abatement or diminution, or any valid counterclaim or defense that would prevent the Seller from foreclosing upon the Mortgaged Property.

(vi) The acquisition of title to the related Mortgaged Property pursuant to foreclosure or other proceedings or the acceptance of a deed in lieu of foreclosure by Purchaser.

Section 6.03 Transfer of Mortgage Loan Asset and Mortgage Loan File  
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Upon Repurchase.  
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Any repurchase of a Mortgage Loan Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall (i) deliver to the Seller all originals and copies of the related Loan Documents and any other documents that were delivered to the Purchaser pursuant to this Agreement regarding such Mortgage Loan, together with any subsequent documents or records pertaining to such Mortgage Loan, as well as to the foreclosure or repossession of the Mortgaged Property; (ii) transfer, convey or assign to the Seller the Mortgage Loan Asset in the same manner as such Mortgage Loan Asset was transferred and assigned from the Seller to the Purchaser by documentation in the same form as that delivered from the Seller to the Purchaser and endorsed, where applicable as follows: "Pay to the order of Fidelity Federal Bank, F.S.B. without recourse" or such other documentation which may be necessary to effect the transfer from the Purchaser to the Seller; and (iii) assign and deliver all escrow accounts and amounts that represent collected and undisbursed impound or escrow funds received by the Purchaser on or after the Closing Date, if any, less any amounts representing negative escrow balances, if any, funded by the Purchaser on or

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after the Closing Date together with evidence thereof acceptable to the Seller; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.02(ii), the Purchaser has good title to, and is the sole owner of, such Mortgage Loan Asset, free and clear of any other ownership interest or participation interest in favor of any other Person and free and clear of any lien, charge or encumbrance. All amounts paid over to the Seller hereunder shall be without payment of interest thereon.

Section 6.04 Transfer of REO Asset Upon Repurchase.  
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Any repurchase of an REO Asset shall be accomplished by deposit in an account designated by the Purchaser of the amount of the Repurchase Price. Simultaneously therewith, the Purchaser shall: (i) convey any such REO Asset to the Seller by means of a quitclaim deed (or its equivalent under the law of the state where the related REO Property is located) delivered to the Seller; (ii) execute and deliver all other documents necessary to reconvey to the Seller all right, title and interest in and to such REO Asset, including, without limitation, assignment and assumption agreements with respect to any leases and keys; (iii) deliver to the Seller all originals and copies of the documents that were delivered to the Purchaser pursuant to this Agreement regarding such REO Property, together with any subsequent documents or records pertaining to such REO Property as well as to any eviction proceedings related thereto; and (iv) deliver a certificate to the Seller certifying that, assuming the accuracy of the Seller's representation in Section 3.03(ii), with respect to each REO Asset being reconveyed, the Purchaser has good title thereto and is the sole owner thereof, free and clear of any other ownership interest or participation interest in favor of any other Person, subject only to Permitted Encumbrances. All amounts paid over to the Seller hereunder shall be without payment of interest thereof. The Seller shall promptly after the repurchase of any REO Asset record the related deed and shall pay, as and when due, any transfer taxes, deed stamps, recording fees and other similar charges required to be paid in connection with any repurchase of REO Assets.

Section 6.05 Risk of Loss.  
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The risk of loss to a Property to be repurchased under Article VI remains with the Purchaser until the repurchase is consummated, provided, however, that if after the Seller has received written notice that the Purchaser will require the Seller to repurchase a specific Asset the related Property suffers an Insured Loss, the Seller shall repurchase such Asset and the Purchaser shall assign to the Seller the proceeds of the insurance covering the Insured Loss.

Section 6.06 Breach of the Purchaser's Representations and Warranties.  
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The remedies of the Seller for any breach by the Purchaser of its representations and warranties contained in Article IV shall be those provided by applicable law.

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Section 6.07 Distribution of Deposit and Remedies if No Closing.

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In the event that the purchase and sale transaction of the Assets contemplated in this Agreement does not close by the Closing Date, or a later date determined by the mutual written agreement of the parties, and such failure to close results from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent set forth in Section 7.02, the Deposit (less \$2,000) shall be irrevocably forfeited as liquidated damages. Prior to making a demand upon the Deposit Escrow Agent for such forfeiture of the Deposit (less \$2,000), the Seller shall first have provided written notice of such breach or failure of such condition to the Purchaser, and two (2) business days shall have elapsed without a cure by the Purchaser. If the Deposit (less \$2,000) has been paid and forfeited to the Seller as liquidated damages, the Purchaser shall be entitled to receive from the Deposit Escrow Agent the remaining \$2,000 of the Deposit.

THE PURCHASER AND THE SELLER AGREE THAT, IN THE EVENT OF SUCH FAILURE, THE SELLER'S ACTUAL DAMAGES MIGHT BE DIFFICULT TO ASCERTAIN BECAUSE OF UNCERTAINTIES IN THE MARKET FOR THE ASSETS AND POTENTIAL FLUCTUATIONS OVER TIME OF THE VALUE OF THE SAME, AND THAT THE DEPOSIT CONSTITUTES A GOOD FAITH REASONABLE ESTIMATE OF THE ACTUAL DAMAGES TO BE INCURRED BY THE SELLER AND THEREFORE THAT THE AMOUNT OF THE DEPOSIT IS REASONABLE AS LIQUIDATED DAMAGES FOR THE BENEFIT OF THE SELLER AND THE PURCHASER IN SUCH EVENT.

/s/ \_\_\_\_\_ /s/  
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Initials of the Purchaser Initials of the Seller

If such failure to close does not result from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing set forth in Section 7.02, or the condition precedent set forth in Section 7.03 is not satisfied, then the Seller shall instruct the Deposit Escrow Agent to pay to the Purchaser the full amount of the Deposit by wire transfer in immediately available funds to the account specified by the Purchaser within three (3) days of the date specified in this Section 6.08 or such earlier date by which the parties have mutually determined that the Closing shall not occur.

Notwithstanding the foregoing, in the event that the Deposit is not received by the Deposit Escrow Agent as provided in Section 2.01, all of the rights and remedies of the Seller shall be expressly preserved and shall remain unimpaired and unaffected.

Loan and REO Purchase Agreement (Secondary)  
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Section 6.07 Distribution of Deposit and Remedies if No Closing.

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In the event that the purchase and sale transaction of the Assets contemplated in this Agreement does not close by the Closing Date, or a later date determined by the mutual written agreement of the parties, and such failure to close results from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent set forth in Section 7.02, the Deposit (less \$2,000) shall be irrevocably forfeited as liquidated damages. Prior to making a demand upon the Deposit Escrow Agent for such forfeiture of the Deposit (less \$2,000), the Seller shall first have provided written notice of such breach or failure of such condition to the Purchaser, and two (2) business days shall have elapsed without a cure by the Purchaser. If the Deposit (less \$2,000) has been paid and forfeited to the Seller as liquidated damages, the Purchaser shall be entitled to receive from the Deposit Escrow Agent the remaining \$2,000 of the Deposit.

THE PURCHASER AND THE SELLER AGREE THAT, IN THE EVENT OF SUCH FAILURE, THE SELLER'S ACTUAL DAMAGES MIGHT BE DIFFICULT TO ASCERTAIN BECAUSE OF UNCERTAINTIES IN THE MARKET FOR THE ASSETS AND POTENTIAL FLUCTUATIONS OVER TIME OF THE VALUE OF THE SAME, AND THAT THE DEPOSIT CONSTITUTES A GOOD FAITH REASONABLE ESTIMATE OF THE ACTUAL DAMAGES TO BE INCURRED BY THE SELLER AND THEREFORE THAT THE AMOUNT OF THE DEPOSIT IS REASONABLE AS LIQUIDATED DAMAGES FOR THE BENEFIT OF THE SELLER AND THE PURCHASER IN SUCH EVENT.

/s/ \_\_\_\_\_ /s/[INITIALS APPEAR HERE]  
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Initials of the Purchaser Initials of the Seller

If such failure to close does not result from a breach of this Agreement by the Purchaser or the Purchaser's failure to satisfy a condition precedent to the Closing set forth in Section 7.02, or the condition precedent set forth in Section 7.03 is not satisfied, then the Seller shall instruct the Deposit Escrow Agent to pay to the Purchaser the full amount of the Deposit by wire transfer in immediately available funds to the account specified by the Purchaser within three (3) days of the date specified in this Section 6.08 or such earlier date by which the parties have mutually determined that the Closing shall not occur.

Notwithstanding the foregoing, in the event that the Deposit is not received by the Deposit Escrow Agent as provided in Section 2.01, all of the rights and remedies of the Seller shall be expressly preserved and shall remain unimpaired and unaffected.

Loan and REO Purchase Agreement (Secondary)

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ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 Conditions Precedent To Be Performed by the Seller.  
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As a condition to the obligations of the Purchaser to purchase the Assets, the Seller shall deliver or cause to be delivered to the Purchaser on or before the Closing Date the following documents:

(i) an officer's certificate of the Seller, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Seller authorizing its sale of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Seller, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Seller on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Seller, dated as of the Closing Date, to the effect that: (a) the Seller is a federal savings bank, duly chartered, validly existing and in good standing under the federal laws of the United States; (b) this Agreement has been duly authorized, executed and delivered on the part of the Seller and, assuming due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally (including laws and regulations affecting the rights of creditors of federal savings banks) and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any material agreement or instrument to which the Seller is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Seller to perform its obligations under this Agreement; (d) except as described on a schedule to the Agreement, there is no action, suit, proceeding or investigation pending or threatened against the Seller or relating to any Asset and known to such counsel, which, if determined adversely to the Seller, would prevent the consummation of the sale of the Assets to the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Seller or for the performance by the Seller of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

Loan and REO Purchase Agreement (Secondary)  
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Section 7.02 Conditions Precedent To Be Performed by the Purchaser.

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As a condition to the obligations of the Seller to sell the Assets, the Purchaser shall deliver or cause to be delivered to the Seller on or before the Closing Date the following documents:

(i) an officer's certificate of the Purchaser, dated as of the Closing Date, certifying to (a) the resolutions of the board of directors of the Purchaser authorizing its purchase of the Assets and the other transactions contemplated hereby and the execution and delivery of all documents described herein, (b) the authority of the officer(s) signing on behalf of the Purchaser, and (c) the continued accuracy in all material respects of the representations and warranties contained in this Agreement as if such representations and warranties were made by the Purchaser on the Closing Date; and

(ii) an opinion of counsel (which may be internal counsel) to the Purchaser, dated as of the Closing Date, to the effect that: (a) each entity comprising the Purchaser is a corporation or partnership, as the case may be, duly organized, validly existing and in good standing under the laws of the state of its organization; (b) this Agreement has been duly authorized, executed and delivered on the part of the Purchaser and, assuming due authorization, execution and delivery by the Seller, constitutes a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), subject to customary assumptions and qualifications; (c) the consummation of the transaction contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any material agreement or instrument to which the Purchaser is now a party and known to such counsel, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject and known to such counsel, which conflict, breach, default, acceleration or violation would have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement; (d) there is no action, suit, proceeding or investigation pending or threatened against the Purchaser and known to such counsel, which, if determined adversely to the Purchaser, would prevent the consummation of the purchase of the Assets by the Purchaser as contemplated hereby; and (e) no consent, approval, authorization or order of any court or governmental agency is required for the execution and delivery of this Agreement by the Purchaser or for the performance by the Purchaser of its obligations hereunder or, if required, such consent, approval, authorization or order will have been obtained prior to the Closing Date except for the Post-Closing Consents.

Section 7.03 Additional Condition Precedent.

The obligations of the Seller and the Purchaser under this Agreement shall be subject to and conditioned upon the consummation of the issuance and sale of the Class A Common Stock, par value \$.01 per share, and the Class C Common Stock, par value \$.01 per share, pursuant to the Offering Circular dated July 12, 1994 and filed with the Office of Thrift Supervision, on substantially the terms described therein.

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ARTICLE VIII  
MISCELLANEOUS PROVISIONS

Section 8.01 Governing Law; Jurisdiction; Consent to Service of

Process.  
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This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, United States of America. Each of the parties hereto hereby irrevocably (i) submits to the non-exclusive jurisdiction of the courts of the State of California and the federal courts of the United States of America for the Central District of California for the purpose of any action or proceeding relating to this Agreement; (ii) waives, to the fullest extent permitted by law, the defense of an inconvenient forum in any action or proceeding in any such court; (iii) agrees that a final judgment in any action or proceeding in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; and (iv) consents to service of process upon it by mailing a copy thereof by certified mail addressed to it and its counsel as provided for notices hereunder.

Section 8.02 Hart-Scott-Rodino.  
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The Purchaser and the Seller agree to cooperate in connection with the preparation, signing and filing of any documents which counsel to the Purchaser or the Seller advises are necessary under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and each acknowledge and agree that the Closing Date shall be postponed, to the extent necessary, to comply with the requirements of such Act, if applicable to the transactions contemplated herein.

Section 8.03 Confidentiality.  
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Neither party to this Agreement (or employee or agent under its control) shall without the prior written consent of the other disclose to any third party any information regarding this Agreement or the transactions contemplated herein, except to the extent that such disclosure is (i) required to effect the transactions contemplated herein, (ii) made to an affiliate of the Purchaser, (iii) required by law or regulation, (iv) necessary to permit the audit of the accounts of a party hereto, (v) made to notify a third party of the ownership of the Asset by the Purchaser, without disclosing other terms of this Agreement, or (vi) made in order to initiate, defend or otherwise pursue legal proceedings between the parties regarding this Agreement or the transactions contemplated hereby. The Purchaser shall preserve the confidentiality of any confidential information relating to the Mortgages. This Agreement shall not, and no memorandum or other document relating to this Agreement shall, be recorded without the prior written consent of the Seller.

Section 8.04 Broker's Fees.  
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In the event that any REO Property is subject to a listing agreement between the Seller and a broker, the Seller shall be solely responsible for the payment of any fee, commission or other compensation payable pursuant to any such listing agreements based upon a sale of such REO Property to the Purchaser.

Section 8.05 Notices.  
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Any notices or other communications permitted or required hereunder shall be in writing and shall be personally delivered or mailed by certified mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile and confirmed by a similar mailed writing, to the following addresses, or such other address as may hereafter be furnished in writing:

Loan and REO Purchase Agreement (Secondary)  
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(i) in the case of the Seller,

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: James F. Barnett  
Senior Vice President,  
Credit Administration

Facsimile: (818) 549-3002

with a copy to:

Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard  
Glendale, California 91209  
Attention: Frederick I. Fox, Esq.

Facsimile: (818) 549-3773

(ii) in the case of the Purchaser,

Internationale Nederlanden (U.S.) Capital Corporation  
333 S. Grand Avenue  
Los Angeles, California 90071  
Attention: Ms. Laura Olinski

Facsimile: (213) 687-7324

with a copy to:

Essex Management Corporation  
777 California Avenue  
Palo Alto, California 94304  
Attention: Mr. Ray Hedrick

Facsimile: (415) 858-0139

and

Farallon Capital Partners, L.P.  
Tinicum Partners, L.P.  
One Maritime Plaza, Suite 1250  
San Francisco, California 94111  
Attention: Mr. Stephen L. Millman  
and Mr. Jason Fish

Facsimile: (415) 421-2133

Notices shall be effective on receipt.

Loan and REO Purchase Agreement (Secondary)  
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Section 8.06 Severability of Provisions.  
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If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 8.07 Schedules and Exhibits.  
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The schedules and exhibits to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

Section 8.08 Waivers and Amendments.  
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This Agreement may be amended, supplemented, canceled or extended, and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 8.09 No Third Party Rights.  
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This Agreement is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than the parties hereto.

Section 8.10 Successors and Assigns.  
-----

This Agreement shall be binding upon and inure to the benefit of the Purchaser and the Seller and their respective successors and assigns; provided, however, that (i) notwithstanding any assignment by the Purchaser or the Seller, such party shall remain liable for its obligations hereunder, including but not limited to any assignment pursuant to the last sentence of this Section 8.10, (ii) only the Purchaser or its affiliates shall be entitled to exercise any remedies against the Seller granted to the Purchaser in Articles V and VI of this Agreement, and (iii) the Purchaser shall not assign its rights under this Agreement prior to the Closing Date without the prior written consent of the Seller, in its sole discretion. Notwithstanding the foregoing, the Purchaser may assign its rights under this Agreement to a partnership to be formed, which will be comprised of one or more affiliates of the three entities comprising the Purchaser and shall be deemed an affiliate of the Purchaser under clause (ii) of this Section 8.10, provided that the form of the assignment is approved by the Seller in advance, such approval not to be unreasonably withheld, and provided the Purchaser shall submit to the Seller certified copies of the partnership documentation for such proposed assignee.

Section 8.11 Captions.  
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All section titles or captions contained in this Agreement or in the schedules and exhibits annexed hereto or referred to herein, and the table of contents to this Agreement, are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Loan and REO Purchase Agreement (Secondary)  
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Section 8.12 Counterparts.  
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This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 8.13 Entire Agreement.  
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This Agreement (including the schedules and exhibits annexed hereto or referred to herein and the agreements executed and delivered pursuant to the terms hereof), the Confidentiality Agreement executed and delivered by the Purchaser in connection with the transactions contemplated by this Agreement, and the Deposit Escrow Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereby and supersede all prior agreements, written or oral, with respect thereto.

Section 8.14 No Merger.  
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Unless otherwise expressly provided herein, the representations, warranties, covenants and agreements shall survive the Closing, the sale of Assets contemplated hereby and the delivery of any deeds or other documents in connection herewith.

Section 8.15 Attorneys Fees.  
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In the event of litigation concerning a dispute between the parties to this Agreement, the prevailing party in such proceeding (or the party who prevails on the most issues), shall be entitled to reimbursement by the other party for the reasonable attorneys fees and expenses of the prevailing (or most prevailing) party.

Section 8.16 Obligations of the Purchaser.  
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The obligations of the parties constituting the Purchaser shall be joint and several.

Loan and REO Purchase Agreement (Secondary)  
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IN WITNESS WHEREOF, the Seller and the Purchaser have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

FIDELITY FEDERAL BANK, F.S.B.

By: /s/ Richard M. Greenwood  
-----  
Name: Richard M. Greenwood  
Title: Chairman of the Board,  
President and  
Chief Executive Officer

INTERNATIONALE NEDERLANDEN (U.S.)  
CAPITAL CORPORATION

By: /s/ Laura B. Olinski  
-----  
Name: Laura B. Olinski  
Title: Vice President

FARALLON CAPITAL PARTNERS, L.P.

By: /s/ Jason M. Fish  
-----  
Name: Jason M. Fish  
Title: General Partner

TINICUM PARTNERS, L.P.

By: /s/ Jason M. Fish  
-----  
Name: Jason M. Fish  
Title: General Partner

ESSEX MANAGEMENT CORPORATION

By: /s/ Keith Guericki  
-----  
Name: Keith Guericki  
Title: President

Loan and REO Purchase Agreement (Secondary)  
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Schedule 1.01-A

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Allocated Price Schedule

Loan and REO Purchase Agreement (Secondary)

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Essex Property Trust/ING Capital Corporation/Farralon Capital Partners  
 Fidelity Federal Telestar Portfolio (Final/Accepted Bid - Conforming Bid #2)

Asset #	Fidelity Asset #	Address	Final/Accepted Bid			Adjustments	Final Price with Adjustments		
			UPB	Bid Price	% of UPB		UPB	Bid Price	% of UPB
8	522	38431 5th Street East	\$358,269	\$29,673	8.28%		\$358,269	\$29,673	8.28%
23	537	3735-3737 Kansas Avenue	\$557,273	\$232,042	41.64%		\$557,273	\$232,042	41.64%
47	603	3450-3460 Dwight Street	\$346,585	\$30,817	8.89%		\$346,585	\$30,817	8.89%
30	713	917 S. Catalina Street	\$360,876	\$199,789	55.36%		\$360,876	\$199,789	55.36%
53	723	636 East 97th Street	\$347,677	\$207,054	59.55%		\$347,677	\$207,054	59.55%
77	762	1626 Pacific Avenue	\$344,238	\$176,716	51.34%		\$344,238	\$176,716	51.34%
42	779	9607-9609 Glasgow Place	\$454,956	\$274,405	60.31%		\$454,956	\$274,405	60.31%
43	780	5306 Arbor Vitae Street	\$460,265	\$256,022	55.62%		\$460,265	\$256,022	55.62%
48	797	5452 Olivewood	\$443,958	\$128,119	28.86%		\$443,958	\$128,119	28.86%
61	799	2042 Corning Street	\$326,918	\$176,189	53.89%		\$326,918	\$176,189	53.89%
16	810	73823, 73879 Sunnyslope	\$243,960	\$53,768	22.04%		\$243,960	\$53,768	22.04%
6	826	557 N. Tustin Avenue	Pulled from Porfolio				Pulled from Porfolio		
12	830	6959 Orcutt Avenue	\$134,845	\$94,042	69.74%		\$134,845	\$94,042	69.74%
90	844	626-632 Linden Avenue	\$385,788	\$187,502	48.60%		\$385,788	\$187,502	48.60%
85	857	1122 West 166th Street	\$635,130	\$330,011	51.96%		\$635,130	\$330,011	51.96%
36	859	5513-5517 West 98th Street	\$313,868	\$133,909	42.66%		\$313,868	\$133,909	42.66%
68	860	599-601 East Hyde Park Place	\$385,336	\$87,937	22.82%		\$385,336	\$87,937	22.82%
21	865	4534 West 115th Street	\$298,085	\$154,810	51.93%		\$298,085	\$154,810	51.93%
79	871	6330 Arbutus Street	\$360,786	\$272,396	75.50%		\$360,786	\$272,396	75.50%
81	872	6930 Simpson Avenue	\$310,232	\$159,107	51.29%		\$310,232	\$159,107	51.29%
91	877	1873 Pumalo Street	\$372,932	\$255,330	68.47%		\$372,932	\$255,330	68.47%
20	885	1308-1310 1/2 East 7th Street	\$257,296	\$165,998	64.52%		\$257,296	\$165,998	64.52%
74	889	639 Karesh Avenue	\$200,302	\$58,660	29.29%		\$200,302	\$58,660	29.29%
73	890	627 Karesh Avenue	\$201,460	\$58,660	29.12%		\$201,460	\$58,660	29.12%
40	892	320 & 324 Stillman	\$355,545	\$181,045	50.92%		\$355,545	\$181,045	50.92%
86	902	165 East Market Street	\$399,037	\$182,813	45.81%		\$399,037	\$182,813	45.81%
32	903	720 Maine Avenue	\$325,593	\$121,520	37.32%		\$325,593	\$121,520	37.32%
80	910	1600-1614 East 10th Street	\$308,738	\$108,568	35.17%		\$308,738	\$108,568	35.17%
62	912	3147 El Segundo Blvd.	\$716,326	\$392,600	54.81%		\$716,326	\$392,600	54.81%
63	913	3155 El Segundo Blvd.	\$716,332	\$395,305	55.18%		\$716,332	\$395,305	55.18%
57	920	928 S. Fann Street	\$330,034	\$230,561	69.86%		\$330,034	\$230,561	69.86%
25	927	3781 Harvill Lane	\$305,834	\$200,979	65.72%		\$305,834	\$200,979	65.72%
59	930	623 E. 53rd Street	\$627,441	\$261,860	41.73%		\$627,441	\$261,860	41.73%
71	934	10146 S. Regatta Avenue	\$705,135	\$364,280	51.66%		\$705,135	\$364,280	51.66%
37	935	10304 Commerce Avenue	\$260,389	\$181,023	69.52%		\$260,389	\$181,023	69.52%
93	939	946-950 West Beach Avenue	\$963,357	\$644,899	66.94%		\$963,357	\$644,899	66.94%
4	944	4810, 4830, 4850 Bandera Street	\$1,344,728	\$858,382	63.83%		\$1,344,728	\$858,382	63.83%
22	949	5505 Bonner Avenue	\$364,756	\$209,592	57.46%		\$364,756	\$209,592	57.46%

Essex Property Trust/ING Capital Corporation/Faralon Capital Partners  
 Fidelity Federal Telestar Portfolio (Final/Accepted Bid - Conforming Bid#2)

Fidelity		Final/Accepted Bid				Final Price with Adjustments			
Asset #	Asset #	Address	UPB	Bid Price	% of UPB	Adjustments	UPB	Bid Price	% of UPB
17	953	10592 Sunset Avenue	\$390,666	\$206,956	52.98%		\$390,666	\$206,956	52.98%
46	954	2635 Pacific Street	\$254,790	\$124,566	48.69%		\$254,790	\$124,566	48.89%
69	955	66384 & 66396 2nd Street	\$209,534	\$94,895	45.29%		\$209,534	\$94,895	45.29%
31	959	2601 So. El Camino Real	\$325,736	\$237,547	72.93%		\$325,736	\$237,547	72.93%
1	961	8404 Willis Avenue	\$1,699,767	\$975,332	57.38%		\$1,699,767	\$975,332	57.38%
7	964	527 Tustin Avenue	\$589,695	\$453,606	76.92%		\$589,695	\$453,606	76.92%
38	966	4562 Hamilton Street	\$303,313	\$174,914	57.67%		\$303,313	\$174,914	57.67%
33	976	3751 Harvill Lane	\$286,040	\$168,183	58.80%		\$286,040	\$168,183	58.80%
24	978	1688 Kingsley	\$360,492	\$189,516	52.57%		\$360,492	\$189,516	52.57%
83	985	6515 Victoria Avenue	\$429,595	\$259,809	60.48%		\$429,595	\$259,809	60.48%
28	986	1114 West Santa Ana Blvd.	\$1,833,647	\$906,632	49.44%		\$1,833,647	\$906,632	49.44%
3	988	2054 North Argyle Avenue	\$1,229,802	\$907,613	73.80%		\$1,229,802	\$907,613	73.80%
11	989	1059 S. Manhattan Place	\$1,105,747	\$466,108	42.15%		\$1,105,747	\$466,108	42.15%
35	995	1225 North Cherokee Avenue	\$1,132,351	\$599,839	52.97%		\$1,132,351	\$599,839	52.97%
88	998	315-319 N. Brand Blvd.	\$350,571	\$190,937	54.46%		\$350,571	\$190,937	54.46%
60	1003	14800 Victory Blvd.	\$950,655	\$487,397	51.27%		\$950,655	\$487,397	51.27%
5	1004	7005-7009 Coldwater Canyon Ave	\$2,322,443	\$1,285,697	55.36%		\$2,322,443	\$1,285,697	55.36%
49	1012	244 W. Spazler Avenue	\$852,798	\$573,231	67.22%		\$852,798	\$573,231	67.22%
67	1013	1633 Stanley Avenue	\$693,299	\$411,424	59.34%		\$693,299	\$411,424	59.34%
27	1020	1040 Ohio Avenue	\$367,802	\$187,584	51.00%		\$367,802	\$187,584	51.00%
70	1023	668 N. "H" Street	\$327,740	\$94,930	28.97%	\$1,320	\$327,740	\$93,610	28.56%
95	1026	2121 South Marvin Avenue	\$344,823	\$222,678	64.58%	\$9,246	\$344,823	\$213,432	61.90%
58	1027	622 Warm Sands Drive	\$226,884	\$194,355	85.66%	\$1,978	\$226,884	\$192,377	84.79%
26	1030	403 South Occidental Blvd.	\$636,201	\$456,553	71.76%		\$636,201	\$456,553	71.76%
2	1031	12020 Grevillea Avenue	\$1,772,238	\$1,267,927	71.54%	\$20,000	\$1,772,236	\$1,247,927	70.42%
9	2021530	2467 Angela Street	\$516,476	\$367,259	71.11%	\$7,874	\$516,476	\$359,385	69.58%
10	2022632	955 S. Hansen Avenue	\$465,971	\$242,103	51.96%	\$4,818	\$465,971	\$237,285	50.92%
13	2156064	2710 Kollmar Drive	\$963,629	\$716,913	74.40%	\$75,519	\$963,629	\$641,394	66.56%
14	2156125	2718 Kollmar Drive	\$699,309	\$533,002	76.22%	\$58,739	\$699,309	\$474,263	67.82%
15	2167521	1107-1109 Boynton Street	\$467,739	\$254,377	54.38%	\$110	\$467,739	\$254,267	54.36%
18	2211343	845 N. Marengo Avenue	\$475,341	\$378,865	79.70%		\$475,341	\$378,865	79.70%
19	2211442	2011 Peyton Avenue	Pulled from Portfolio				Pulled from Portfolio		
29	2342315	910 West Walnut Avenue	\$224,501	\$153,576	68.41%	\$2,835	\$224,501	\$150,741	67.14%
34	2366274	1215 Cherokee Avenue	\$1,042,214	\$600,256	57.59%	\$63,849	\$1,042,214	\$536,407	51.47%
39	2375131	7202 Milton Avenue	\$284,990	\$161,946	56.83%	\$6,150	\$284,990	\$155,796	54.67%
41	2375322	126, 134 Gaviota Avenue (Removed)	Pulled from Portfolio				Pulled from Portfolio		
44	2377465	14640 Friar Street	\$1,101,454	\$673,198	61.12%	\$1,804	\$1,101,454	\$671,394	60.96%
45	2379324	860-870 N. Campus Avenue	\$566,293	\$417,481	73.72%	\$6,841	\$566,293	\$410,640	72.51%

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 Essex Property Trust/ING Capital Corporation/Faralon Capital Partners  
 Fidelity Federal Telestar Portfolio (Final/Accepted Bid - Conforming Bid#2)  
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Asset #	Fidelity Asset #	Address	Final/Accepted Bid			Adjustments	Final Price with Adjustments		
			UPB	Bid Price	% of UPB		UPB	Bid Price	% of UPB
50	2386551	585 San Francisco Avenue	\$167,377	\$63,259	37.79%	\$2,269	\$167,377	\$60,990	36.44%
54	2393184	232 & 236 South Harvard Blvd.	\$553,118	\$365,701	66.12%	\$29,699	\$553,118	\$336,002	60.75%
55	2393528	5630 Ash Street (Dropped 6/27/94)	Pulled from Portfolio				Pulled from Portfolio		
56	2393924	21228 Western Avenue	\$980,569	\$575,278	58.67%		\$980,569	\$575,278	58.67%
64	2402354	11934 Eucalyptus Avenue	\$294,982	\$147,058	49.85%	\$12,724	\$294,982	\$134,334	45.54%
65	2403234	1660E. Kingsley Avenue	\$329,540	\$197,351	59.89%		\$329,540	\$197,351	59.89%
66	2403258	990 West 9th Street	\$978,197	\$357,068	36.50%	\$18,043	\$978,197	\$339,025	34.66%
72	2406097	14646 Blythe Street	\$830,248	\$251,231	30.26%		\$830,248	\$251,231	30.26%
75	2408376	4427 Woodman Avenue	\$777,287	\$596,656	76.76%	\$1,076	\$777,287	\$595,580	76.62%
76	2413729	14639 Friar Street	\$576,283	\$308,427	53.52%		\$576,283	\$308,427	53.52%
78	2414630	2255 Orange Street	\$409,451	\$176,610	43.13%		\$409,451	\$176,610	43.13%
82	2418793	920-930 Stilman Avenue	\$803,140	\$480,455	59.82%		\$803,140	\$480,455	59.82%
84	2423177	517 South Rampart Blvd.	\$786,851	\$262,539	33.37%	\$4,969	\$786,851	\$257,570	32.73%
87	2431994	9010-9018 Painter Avenue	\$278,391	\$199,453	71.64%		\$278,391	\$199,453	71.64%
89	2437008	13926 Ramhurst Drive	\$1,090,821	\$767,109	70.32%	\$110	\$1,090,821	\$766,999	70.31%
92	2447944	2806-2816 1/2 West Blvd.	\$583,127	\$155,595	26.68%	\$14,250	\$583,127	\$141,345	24.24%
94	2449841	205 West Tichenor Street	\$231,929	\$125,927	54.30%	\$985	\$231,929	\$124,942	53.87%
96	2456634	12254 Burbank Blvd.	\$1,183,474	\$696,916	58.89%		\$1,183,474	\$696,916	58.89%
97	2481128	5701-23 Corbett Street	\$588,441	\$473,305	80.43%		\$588,441	\$473,305	80.43%
51		Pulled from Portfolio	Pulled from Portfolio				Pulled from Portfolio		
52		Pulled from Portfolio	Pulled from Portfolio				Pulled from Portfolio		
Totals prior to credit for delinquent taxes to Seller			\$53,072,050	\$29,893,524	56.33%	\$345,208	\$53,072,050	\$29,548,316	55.68%
Deduction for delinquent property taxes: Per JP Morgan the seller is to be credited this amount				(\$325,208)					
			\$53,072,050	\$29,568,316	55.71%				

\$20,000 reflects price adjustment as agreed by Buyer and Seller

Schedule 1.01-B

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Mortgage Loan Schedule

Loan and REO Purchase Agreement (Secondary)

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Telstar Residential 5+ Units

Cal.	Loan #	REO	Name	Address	City	ST	Zip	Units	PType	FFB Gross	Due Dt	Pos	Escrow Bal	
1	T2	2010523	961	MAX & SA	5404 WILLIS AVE	PANORAMA CITY	CA	91402	52	RS	1,699,767		1	
2	T2	2014143		RSTINVESTM	12020 GREVILLEA AVE	HAWTHORNE	CA	90250	34	RS	1,772,236	12/01/93	1	0
3	T2	2016927	988		2054N ARGYLE AVE	LOS ANGELES	CA	90068	31	RS	1,229,802		1	
4	T1	2018916	944	SSNIJJAR	4810 4830 4850 BANDE	MONTCLAIR	CA	91763	42	RS	1,344,728		1	
5	T2	2019650	4	HERBERT	7005 COLDWATER CYN	NORTH HOLLYWOOD	CA	91605	44	RS	2,322,443		1	
6	T2	2020506	964	J BISHOP	527N TUSTIN AVE	SANTA ANA	CA	92705	12	RS	589,695		1	
7	T1	2021202	522		38431 5TH STREET EAST	PALMDALE	CA	93550	12	RS	358,269		1	
8	T2	2021530		PSNIJJAR	2467 ANGELA ST	POMONA	CA	91766	19	RS	516,476	01/01/94	1	0
9	T2	2022632		PSNIJJAR	955S HANSEN AVE	POMONA	CA	91766	12	RS	465,971	01/01/94	1	0
10	T2	2025426	989	T MORRILL	1059S MANHATTAN PL	LOS ANGELES	CA	90019	43	RS	1,105,747		1	
11	T1	2040541	830	CPMIKALONI	6959 ORCUTT AVE	LONG BEACH	CA	90805	6	RS	134,845		1	
12	T2	2156064		ALLAN CA	2710 KOLLMAR DR	SAN JOSE	CA	95127	24	RS	963,629	10/01/93	1	0
13	T2	2156125		ACTENNANT	2718 KOLLMAR DR	SAN JOSE	CA	95127	16	RS	699,309	11/01/93	1	0
14	T2	2167521		JOHN M D	1107 1109 BOYNTON ST	GLENDALE	CA	91205	18	RS	487,739	10/01/93	1	0
15	T1	2177207	810	JWPIERCE	73823 879 SUNNYSLOPE	29 PALMS	CA	92277	10	RS	243,960		1	
16	T2	2192145	953	HJGERWIN	10592 SUNSET AVE	DESERT HOT SPR	CA	92240	12	RS	390,666		1	
17	T2	2211343		PSNIJJAR	845N MARENGO AVE	PASADENA	CA	91103	16	RS	475,341	01/01/94	1	0
19	T1	2250126	885	WLKUHNN	1306 1310 1/2 E 7TH	LONG BEACH	CA	90813	10	RS	257,296		1	
20	T1	2278058	865	RRMARTINEZ	4534W 115TH ST	HAWTHORNE	CA	90250	6	RS	298,985		1	
21	T1	2292670	949	AGGNPRTNR	5505 BONNER AVE	NORTH HOLLYWOOD	CA	91601	12	RS	364,758		1	
22	T1	2299244	537		3735-3737 KANSAS AVEN	RIVERSIDE	CA	92507	16	RS	557,273		1	
23	T1	2300045	978	LPGUAP0	1685E KINGSLEY AVE	POMONA	CA	91767	10	RS	360,492		1	
24	T1	2321028	927	EROLSON	3781 HARVILL LN	RIVERSIDE	CA	92503	8	RS	305,834		1	
25	T2	2324478		RLALVAREZR	403S OCCIDENTIAL BLVD	LOS ANGELES	CA	90057	16	RS	636,201	11/01/93	1	0
26	T2	2325228		SYOSAKO	1040 OHIO AVE	LONG BEACH	CA	90804	8	RS	367,802	12/01/93	1	0
27	T2	2326672	986	BDLEE	1114W SANTA ANA BLVD	SANTA ANA	CA	92703	36	RS	1,833,647		1	
28	T2	2342315		PSNIJJAR	910W WALNUT AVE	MONROVIA	CA	91016	6	RS	224,501	01/01/94	1	0
29	T1	2345291	713		917 SOUTH CATALINA ST	LOS ANGELES	CA	90006	5	RS	360,876		1	
30	T2	2345680	959	P SHIKLI	2601S EL CAMINO REAL	SAN CLEMENTE	CA	92672	8	RS	325,738		1	
31	T1	2351159	903	RTKELLY	720 MAINE AVE	LONG BEACH	CA	90813	8	RS	325,593		1	
32	T2	2363329	976	TBOKEEFE	3751 HARVILL LN	CORONA	CA	92503	8	RS	286,040		1	
33	T2	2366274		H YEOH	1215N CHEROKEE AVE	LOS ANGELES	CA	90038	20	RS	1,042,214	11/01/93	1	0
34	T2	2371030	995	H YEOH	1225N CHEROKEE AVE	LOS ANGELES	CA	90038	20	RS	1,132,351		1	
35	T1	2371375	859	JDTRUST	5513 5517 W 96TH ST	LOS ANGELES	CA	90045	7	RS	313,868		1	
36	T1	2371634	935	W LARSON	10304 COMMERCE AVE	TUJUNGA	CA	91042	6	RS	260,389		1	
37	T2	2372064	966	FHCHOU	4562 HAMILTON ST	SAN DIEGO	CA	92116	7	RS	303,313		1	
38	T2	2375131		J VILLARRE	7202 MILTON AVE	WHITTIER	CA	90602	5	RS	284,990	10/01/93	1	0
39	T1	2375155	892	WCLIU	320 324 STILLMAN AV	UPLAND	CA	91786	8	RS	355,545		1	
41	T1	2377212	779		9607-9609 GLASGOW PLA	LOS ANGELES	CA	90045	6	RS	454,956		1	
42	T1	2377229	780		5306 5308 W ARBORVITA	LOS ANGELES	CA	90045	6	RS	460,265		1	
43	T2	2377465		F KHALILI	14640 FRIAR ST	VAN NUYS	CA	91411	17	RS	1,101,454	11/01/93	1	0
44	T1	2379324		JCVOLANTE	860 870 N CAMPUS AV	UPLAND	CA	91786	15	RS	566,293	06/01/94	1	0
45	T2	2379751	954	J ELLIOTT	2635 PACIFIC ST	SAN BERNARDIN	CA	92346	10	RS	254,790		1	
46	T1	2379935	603		3450 AND 3460 DWIGHT S	RIVERSIDE	CA	92507	12	RS	346,585		1	
47	T1	2380874	797		5452 OLIVEWOOD	RIVERSIDE	CA	92506	12	RS	443,958		1	
48	T2	2384937	12	JFBREWER	244W SPAZIER AVE	BURBANK	CA	91502	12	RS	852,796		1	

7/11/94

Escrow Adv	Suspense	Current Intrst Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/Fixed	%FFB
1							100%
2	0	0	5.96%	12,405	1,860,000	05/01/2017	ARM 100%
3							100%
4							100%
5							100%
6							100%
7							100%
8	7,874	4,579	6.34%	3,522	528,500	09/01/2019	ARM 100%
9	4,818	7,663	6.21%	3,361	479,000	01/01/2020	ARM 100%
10							100%
11							100%
12	75,519	1,948	6.13%	6,852	1,030,000	04/01/2016	ARM 100%
13	58,739	2,950	6.13%	4,995	750,000	04/01/2016	ARM 100%
14	110	0	6.13%	3,327	500,000	04/01/2016	ARM 100%
15							100%
16							100%
17	0	11,526	5.96%	3,512	506,200	01/01/2017	ARM 100%
19							100%
20							100%
21							100%
22							100%
23							100%
24							100%
25	0	0	6.06%	4,256	647,000	10/01/2018	ARM 100%
26	0	0	6.06%	2,464	375,000	10/01/2018	ARM 100%
27							100%
28	2,835	5,572	6.06%	1,489	228,750	12/01/2018	ARM 100%
29							100%
30							100%
31							100%



MORTGAGE LOAN SCHEDULE

Figures as of 5/31/94

Report Date:

Telstar Residential 5+ Units

Cal.	Loan#	REO	Name	Address	City	ST	Zip	Units	PType	FFB	Gross	Due Dt	Pos	Escrow	Bal	Escrow	Adv
49	T1	2386551	EW RUBIN	585 SAN FRANCISCO A	POMONA	CA	91767	5	RS		167,377	08/01/93	1		0		2,269
50	T1	2388786	723	636 EAST 97TH STREET	INGLEWOOD	CA	90301	9	RS		347,677						
51	T2	2393184	RLALVAREZ	232 238 S HARVARD B	LOS ANGELES	CA	90004	19	RS		553,118	12/01/93	1		0		29,699
52	T2	2393924	TYFAMILYTR	21228 WESTERN AVE	LOS ANGELES	CA	90501	22	RS		980,569	12/01/93	1		0		0
53	T1	2399250	920	AH SHER 928S FANN ST	ANAHEIM	CA	92804	7	RS		330,034		1				
54	T2	2399274	JAMCNAMARA	622 WARM SANDS DR	PALM SPRINGS	CA	92264	7	RS		225,884	12/01/93	1		0		1,978
55	T1	2399427	930	MP JOSEPH 628E 53RD ST	LONG BEACH	CA	90805	14	RS		627,441		1				
56	T2	2399946	3	HRMORENO 14800 VICTORY BLVD	VAN NUYS	CA	91411	15	RS		950,655		1				
57	T1	2401214	799	2042 CORNING STREET	LOS ANGELES	CA	90034	6	RS		326,918						
58	T1	2402163	912	DANNY LI 3147 EL SEGUNDO BLV	LYNWOOD	CA	90262	20	RS		716,326			1			
59	T1	2402170	913	DANNY LI 3155 EL SEGUNDO BLV	LYNWOOD	CA	90262	20	RS		716,332			1			
60	T2	2402354	M DUVIVIER	11934 EUCALYPTUS AV	HAWTHORNE	CA	90250	5	RS		294,982	10/01/93	1		0		12,724
61	T2	2403234	PSNIJJAR	1660E KINGSLEY AVE	POMONA	CA	91767	10	RS		329,540	01/01/94	1		0		0
62	T2	2403258	PSNIJJAR	990W 9TH ST	POMONA	CA	91766	23	RS		978,197	12/01/93	1		0		18,043
63	T2	2403364	13	HHCOINC 1633 STANLEY AVE AN	LONG BEACH	CA	90804	12	RS		693,299		1				
64	T1	2403920	860	JDTSTE 599 601 E HYDE PK P	INGLEWOOD	CA	90302	8	RS		385,336		1				
65	T2	2404183	955	MASHERWOOD 66384 & 66396 2ND ST	DESERT HOT SPR	CA	92240	10	RS		209,534		1				
66	T2	2404862	MCNGUYEN	668N "H" ST	SAN BERNARDIN	CA	92410	14	RS		327,740	12/01/93	1		0		1,320
67	T1	2404930	934	TSLEE 10146 REGATTA AVE	WHITTIER	CA	90604	14	RS		705,135		1				
68	T2	2406097	B ZIMMERMA	14646 BLYTHE ST	VAN NUYS	CA	91402	28	RS		830,248	10/01/93	1		0		0
69	T1	2408208	890	P SIQUEIRO 627 KARESH AVE	POMONA	CA	91767	6	RS		201,460		1				
70	T1	2408215	889	P SIQUEIRO 639 KARESH AVE	POMONA	CA	91767	6	RS		200,302		1				
71	T1	2408376	JMROSEN	4427 WOODMAN AVE	SHERMAN OAKS	CA	91423	15	RS		777,287	04/01/94	1		0		1,076
72	T2	2413729	F KHALILI	14639 FRIAR ST	VAN NUYS	CA	91411	8	RS		576,283	11/01/93	1		0		0
73	T1	2414166	762	1826 PACIFIC AVENUE	LONG BEACH	CA	90813	15	RS		344,236						
74	T2	2414630	MTSUEHIRO	2255 ORANGE ST	SAN BERNARDIN	CA	92346	14	RS		409,451	12/01/93	1		0		0
75	T1	2415275	871	RRRANGEL 6330 ARBUTUS ST	HUNTINGTON PA	CA	90255	7	RS		360,786		1				
76	T1	2415435	910	D ICHIKAWA 1600 1514 E 10TH ST	LONG BEACH	CA	90613	8	RS		308,738		1				
77	T1	2416841	872	G BRUBAKER 6930 SIMPSON AVE	NORTH HOLLYWO	CA	91605	8	RS		310,232		1				
78	T2	2418793	S PANAT	920 930 STILLMAN AV	REDLANDS	CA	92373	20	RS		803,140	12/01/93	1		0		0
79	T2	2419024	965	M SAVLOV 6515 VICTORIA AVE	LOS ANGELES	CA	90043	8	RS		429,595		1				
80	T1	2423177	RPLIMITED	517S RAMPART BLVD	LOS ANGELES	CA	90057	35	RS		786,851	02/01/94	1		0		4,969
81	T1	2426213	857	GF89 1122W 156TH ST	GARDENA	CA	90247	6	RS		635,130		1				
82	T1	2431338	902	EJLORENZ 165E MARKET ST	LONG BEACH	CA	90805	8	RS		399,037		1				
83	T2	2431994	DSSTAIRS	9010 9018 PAINTER AV	WHITTIER	CA	90602	5	RS		278,391	06/01/94	1		0		0
84	T1	2436227	996	FJBECKER 315 319 N BRAND BLV	SAN FERNANDO	CA	91340	12	RS		350,571		1				
85	T2	2437008	DSSTAIRS	13926 RAMHURST DR	LA MIRADA	CA	90638	27	RS		1,090,821	11/01/93	1		0		110
86	T1	2439240	844	WGOCONNOR 626 632 LINDEN AVE	LONG BEACH	CA	90802	9	RS		385,788		1				
87	T1	2444785	877	DAFITCH 1873 PUMALO STREET	SAN BERNARDIN	CA	92404	12	RS		372,932		1				
88	T1	2447944	AMARGUELLO	2806 2816 1/2 W BLVD	LOS ANGELES	CA	90016	20	RS		583,127	07/01/92	1		0		14,250
89	T1	2448732	939	KFTRUST 946 950 W BCH AVE	INGLEWOOD	CA	90302	18	RS		963,357		1				
90	T1	2449841	CHSNYDER	205W TICHENOR ST	COMPTON	CA	90220	6	RS		231,929	01/01/94	1		0		985
91	T2	2452243	JDTSTE	2121 MARVIN AVE	LOS ANGELES	CA	90016	8	RS		344,823	12/01/93	1		0		9,246
92	T2	2456634	RUBIN FA	12254 BURBANK BLVD	NORTH HOLLYWO	CA	91607	30	RS		1,183,474	11/01/93	1		0		0
93	T2	2481128	JJRODRIGUE	5701 CORBETT ST	LOS ANGELES	CA	90016	16	RS		588,441	02/06/94	1		0		0
											-----			-----			-----
93											55,024,443			-----			-----

Suspense	Current Intrst	Rt	Monthly P&I Pymt	Original Ln Amnt	Maturity Dt	ARM/Fixed	%FFB
49	0	6.31%	1,159	170,000	04/01/2005	ARM	100%
50							100%
51	0	6.31%	3,849	564,000	04/01/2020	ARM	100%
52	0	6.31%	6,823	1,000,000	04/01/2005	ARM	100%
53							100%
54	0	6.31%	1,570	232,500	05/01/2005	ARM	100%
55							100%
56							100%
57							100%
58							100%
59							100%
60	0	6.11%	1,966	303,700	07/01/2020	ARM	100%
61	8,451	6.11%	2,205	337,500	07/01/2020	ARM	100%
62	31,540	6.11%	6,600	1,000,000	06/01/2020	ARM	100%
63							100%
64							100%
65							100%
66	5,046	6.11%	2,294	355,000	08/01/2020	ARM	100%
67							100%
68	0	6.11%	5,533	847,000	07/01/2020	ARM	100%
69							100%
70							100%
71	0	6.11%	5,178	800,000	08/01/2020	ARM	100%
72	7,528	6.25%	4,222	590,000	11/01/2020	ARM	100%
73							100%
74	0	6.13%	2,690	416,250	09/01/2020	ARM	100%
75							100%
76							100%
77							100%
78	3,111	6.13%	5,207	825,000	10/01/2020	ARM	100%



79							100%
80	14,674	6.25%	4,180	805,000	12/01/2005	ARM	100%
81							100%
82							100%
83	0	6.13%	1,785	288,675	03/01/2021	ARM	100%
84							100%
85	0	6.13%	7,382	1,120,000	03/01/2021	ARM	100%
86							100%
87							100%
88	0	6.13%	4,602	585,000	08/01/2006	ARM	100%
89							100%
90	39	6.13%	1,528	238,000	07/01/2006	ARM	100%
91	0	6.13%	2,236	357,000	09/01/2006	ARM	100%
92	5,104	6.13%	7,657	1,215,000	10/01/2006	ARM	100%
93	10,691	8.75%	4,681	595,000	07/06/2002	ARM	100%
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361,420							

Schedule 1.01-C

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Pending Loan Modifications Schedule

Loan and REO Purchase Agreement (Secondary)

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SPECIAL ASSETS DEPARTMENT  
 TELSTAR  
 APPROVED  
 MODIFICATION TRACKING REPORT

June 28, 1994

LOAN/BORROWER	DATE APPROVED & CLOSED	APPROVAL TERMS	APPROXIMATE LOAN BALANCE		COMMENTS
2408376 Rossen	5/4/94	3 months capitalization; 12 months interest only	Gross	777,287	Closed
			Net	777,287	
			New Ln. Amt.	792,822	
			Loss/Gain	0	
2537007 New American Business		Mr. Smith has offered to purchase loan for \$210,000	Gross	210,000	Awaiting Approval
			Net	210,000	
			New Ln. Amt.	0	
			Loss/Gain	210,000	

Schedule 1.01-D  
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REO Property Schedule

[This schedule has been integrated into the Mortgage Loan Schedule]

Loan and REO Purchase Agreement (Secondary)  
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Schedule 2.04(viii)

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Construction Contracts

None.

Loan and REO Purchase Agreement (Secondary)

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Schedule 2.07(a)(ii)

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Earthquake Deferrals

Loan and REO Purchase Agreement (Secondary)

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EARTHQUAKE SCHEDULE

Earthquake info as of the 6/15/94 loan tape  
 "Status" is as of 6/30/94

Telstar

Cal.	Loan #	Name	Offcr	Status	Closed Dt	Pymit Deferred	Pymt Def #Mnths	Pymt Def Pri.Amnt	Pymt Def Int.Amnt	Pymt Def Total Amnt
1	T1	2408376	JMROSEN	EA	Signed Agreement		0			
2	T1	2423177	RPLIMITED	EA	Signed Agreement		0			
		2							-----	0

Int Capzn #Mnths	Int Only #Mnths	Advanc Amount	Advanc Term #Mnths	#Mnths Allowed to repay	1st Pymt Due
3	12	7 500	24	0	07/01/94
3	12	0	0	0	05/01/94
		-----			
		7 500			

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Litigation

The Seller has been sued by several of its adjustable rate mortgage ("ARM") borrowers who have contended that the Seller miscalculated interest rate adjustments because of a 30 or 60 day delay in the recognition of downward movements in the Eleventh District Cost of Funds Index. A 60 day delay, which was not specifically provided for in the related promissory note, was attributable to the need to give borrowers at least 30 days' notice before the effective date of any interest rate change, and the fact that, since the notes are paid in arrears, the first payment amount affected by the interest rate change is due approximately 30 days after such change becomes effective, thus resulting in an index review and notice date approximately 60 days before the payment amount changes. The Seller contends that its consistent use of interest rate adjustment notices constitutes a course of dealing which clarifies any omission or ambiguity in the ARM promissory note. Also, the promissory notes related to residential loans secured by one to four unit properties must be interpreted in accordance with applicable federal regulations that require 30 days' notice of a change in interest rates.

Although no Mortgage Loans under the Agreement are currently the subject of a lawsuit as described above, certain of the Mortgage Loans had interest rate adjustments made in the same manner as described above, and the Seller has received letters from a loan auditor contending that certain of the Mortgages have overpaid interest because of the manner in which such interest rate adjustments were made. The following describes the status of current litigation involving loans that are not Mortgage Loans, but which have similar interest rate adjustment provisions to certain of the Mortgage Loans:

1. HUBBARD V. FIDELITY FEDERAL BANK Civil No. 92-3939 MRP. Fidelity

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Federal Bank ("Fidelity") is a defendant in a purported class action on file in the United States District Court for the Central District of California alleging violation of the Truth In Lending Act and breach of contract and negligence. The case arises out of the alleged miscalculation of adjustments to the applicable interest rate of an adjustable rate mortgage loan. The complaint seeks compensatory damages and attorneys' fees in an unspecified amount relating to alleged class-wide over-charges. On February 8, 1993, plaintiff Hubbard filed a First Amended Class Action Complaint which added plaintiff Earle S. Humphreys and Nicette M. Humphreys as class representatives and also new claims for fraud and negligent misrepresentation. Defendant Fidelity had already filed a motion for summary judgment which the Court treated as applicable to the First Amended Complaint. On June 7, 1993, the Court issued a decision granting defendant's motion for summary judgment on the grounds that plaintiffs had failed to demonstrate the existence of a genuine issue of fact as to their claims for breach of contract, negligence, fraud, and negligent misrepresentation. Furthermore, the Court concluded that plaintiffs Truth-In-Lending Act claimed were barred by the Statute of Limitations. On July 7, 1993, plaintiffs filed a Notice of Appeal. The matter is now pending before the Court of Appeals for the Ninth Circuit and the transcript on appeal is still in the process of being prepared.

2. OCEANSIDE 84, LTD V. FIDELITY FEDERAL BANK, Case No. BC083318-Los

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Angeles Superior Court. Fidelity Federal Bank ("Fidelity") is a defendant in a purported class action on file in the Superior Court of the State of California, County of Los Angeles, alleging breach of contract and unfair trade practices arising out of its adjustment of adjustable rate mortgages. The Complaint seeks compensatory damages

Loan and REO Purchase Agreement (Secondary)



and attorneys' fees in an unspecified amount relating to alleged class-wide overcharges due to the use of a "look back period" for the calculation of interest rate adjustments. Fidelity's motion for summary judgment was granted for the unfair competition claim and denied on the breach of contract claim because of the Court's perception of triable issues of fact relating to custom and usage. The total damage claim amounts to slightly over \$15,000.

3. WEBER, ET AL V. FIDELITY FEDERAL BANK, Case No. BC094073, Los Angeles  
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Superior Court. On November 30, 1993, an action was filed against Fidelity Federal Bank ("Fidelity") in the Los Angeles Superior Court for breach of contract, declaratory relief and fraud arising out of the manner in which Fidelity calculated interest rate adjustments on a group of 41 separate non-owner occupied/residential adjustable rate loans. The complaint was answered on January 26, 1994. It is Fidelity's present plan to file a motion for summary judgment similar to the one in the Oceanside 84 case described above. The

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damage claims on the individual loans average about \$3,000, but will be subject to set-offs for adjustments in rising interest markets.

4. SMALL CLAIMS. Fidelity has been sued in 21 separate small claims matters by individual ARM borrowers. Each of the matters has been filed in the Municipal Court for Santa Clara County and have been prompted by the actions of a single loan auditing firm which has contacted Fidelity's borrowers in the Bay Area. Most, if not all, of the claims are for less than \$2,000. Judgments have been entered against Fidelity in 5 of the matters. One of the small claims has been settled and one will be tried de novo on appeal as a test case in October.  
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The description appearing on this Schedule 3.01(iv) are for the sole purpose of identifying to the Purchaser possible claims or contentions of which the Seller is aware that may be made with respect to Mortgage Loans. The Seller makes no representation regarding the merit or lack of merit of any such claim or contention and such descriptions are not and shall not be deemed to be an admission of any fact or liability with respect to the matters described thereby.

Loan and REO Purchase Agreement (Secondary)  
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Form of  
Assignment of Intangible Personal Property

ASSIGNMENT OF GENERAL INTANGIBLES,  
LICENSES AND PERMITS  
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THIS ASSIGNMENT OF GENERAL INTANGIBLES, LICENSES AND PERMITS ("Assignment") is made as of the \_\_\_\_ day of \_\_\_\_\_, 1994, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has sold and conveyed to Assignee certain real property and improvements located thereon, if any (collectively, "Property"), pursuant to that certain Loan and REO Purchase Agreement dated July 21, 1994 between Assignor and Assignee (the "Purchase Agreement").

B. It is a condition to the consummation of the transactions contemplated by the Purchase Agreement that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, transfer, assign, deliver, grant and convey unto Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under the following property and rights (collectively, "Assigned Items"), all of which are located in or about, pertain to or are related to the Property:

(a) All surveys, site plans, engineering, architectural, structural, electrical, mechanical and other plans, specifications, drawings, if any, and all other documentation of any type relating to the construction, maintenance and/or operation of the Property.

(b) To the extent assignable without the consent of any third party, all warranties and guarantees, if any, from any and all parties in connection with the construction, maintenance and operation of the Property, or in connection with any fixtures or equipment located on the Property.

(c) To the extent legally assignable, all licenses, permits, authorizations, approvals, registrations, certificates of occupancy and like authorizations issued by any governmental authority, federal, state or local, in connection with the Property.

Loan and REO Purchase Agreement (Secondary)  
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(d) All trade names, trademarks, service marks and logos.

(e) All uncollected insurance claims, insurance proceeds and condemnation claims and awards.

(f) All rights, privileges and entitlements relating to the operation, use or development of the Property.

3. Headings. The headings used in this Assignment are for purposes of convenience only and shall not be used in construing the provisions hereof.

4. Covenant Of Further Assurances. The parties hereto agree to execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Assignment.

6. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

7. Severability. The provisions of this Assignment shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the day and year first above written.

ASSIGNOR:  
-----

FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSIGNEE:  
-----

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit A  
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[PROPERTY NAME AND ADDRESS]

[Fidelity will attach an Exhibit A page for each REO Property]

Loan and REO Purchase Agreement (Secondary)  
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Exhibit 1.01-B

-----  
Form of  
Bill of Sale

BILL OF SALE  
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For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Fidelity Federal Bank, a Federal Savings Bank ("Seller"), does hereby sell and deliver unto \_\_\_\_\_ ("Buyer"), all of Seller's right, title and interest in all of the tools, equipment, supplies, inventory, fixtures, appliances, signage, vehicles, goods, machinery, hardware, materials and equipment not deemed or constituting realty, as well as all furniture, furnishings, and all other like items of personal property which as of the date hereof are located on or used exclusively in connection with the real property described on Exhibit 1 attached hereto, but expressly not including any personal property that may belong to any tenant or property manager of such real property.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of this \_\_\_\_ day of \_\_\_\_\_, 1994.

SELLER:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Loan and REO Purchase Agreement (Secondary)  
-----

Exhibit 1

-----

Legal Description

[Fidelity will attach a legal description of each REO Property]

Loan and REO Purchase Agreement (Secondary)

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## DEPOSIT ESCROW AGREEMENT

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This Escrow Agreement is made as of July 21, 1994 among INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL CORPORATION, FARALLON CAPITAL PARTNERS, L.P., TINICUM PARTNERS, L.P. AND ESSEX MANAGEMENT CORPORATION (collectively, the "Depositor"), FIDELITY FEDERAL BANK (the "Beneficiary") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK ("Morgan"), as Deposit Escrow Agent hereunder (the "Deposit Escrow Agent").

1. Escrow Account. The Depositor and the Beneficiary are concurrently

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entering into that certain Loan and REO Purchase Agreement (Secondary) dated as of July 21, 1994 (the "Purchase Agreement"), and have delivered to the Deposit Escrow Agent a copy of such executed Purchase Agreement. The Depositor has delivered to the Deposit Escrow Agent on July 11, 1994, in escrow pursuant to the terms hereof, the sum of Two Million Nine Hundred Fifty-Six Thousand Eight Hundred Thirty Two Dollars (\$2,956,832) as the "Deposit" thereunder and hereunder. The Deposit Escrow Agent agrees to accept said Deposit and to establish and maintain a separate non-interest bearing escrow account therefor and for investments and reinvestments thereof (the "Escrow Account") pursuant to the terms hereof. Upon written notice from the Depositor or the Beneficiary in accordance with Section 3 below, the Deposit Escrow Agent shall liquidate the Escrow Account and pay the net proceeds of the Escrow Account to the Beneficiary or as the Beneficiary shall direct or to the Depositor or as the Depositor shall direct, as applicable.

2. Investment. The Deposit Escrow Agent agrees to invest and reinvest the

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Escrow Account within two business days after receipt of written instructions signed by a person identified in Exhibit A hereto and specifying the exact investment or reinvestment to the satisfaction of the Deposit Escrow Agent, only in one or more of the following investments (the "Obligations") at the time of investment:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; or
- (ii) Repurchase Agreements involving Obligations listed in (A) above; or
- (iii) Certificates of Deposit issued, or day of deposit to day of withdrawal interest bearing accounts offered, by any bank, trust company or national banking association having capital stock, surplus and undivided profits not less than \$50,000,000 as indicated in its most recently published statement of condition; or
- (iv) Money Market Investment Options identified in Exhibit B hereto; or
- (v) Such other investment as the Depositor, the Beneficiary and the Deposit Escrow Agent may agree in writing.

The initial investment has been made pursuant to clause (i) above. Investments may be made in Obligations of Morgan or any affiliate of Morgan. The Deposit Escrow Agent may purchase Obligations through Morgan and its affiliates and Morgan and its affiliates may retain any charges or commissions customarily imposed for such purchases as if Morgan were not Deposit Escrow Agent hereunder. If the Deposit Escrow Agent reasonably determines that any investment instruction is not satisfactory to it, the Deposit Escrow Agent will use reasonable efforts to obtain a satisfactory investment instruction in lieu thereof. Interest and other earnings on the Obligations shall be added to the Escrow Account. Any loss incurred from an investment, including without limitation market loss resulting from early liquidation of and all costs of investment or liquidation, including without limitation all withholding and other taxes, will be borne by the Escrow Account. The Depositor and the Beneficiary agree to furnish to the Deposit Escrow Agent upon execution of this agreement and as subsequently required all appropriate U.S. tax forms and information in order for the Deposit Escrow Agent to comply with U.S. tax regulations. The Depositor agrees that any income earned on the Escrow Account will be reported as calendar year income to the U.S. IRS for the Depositor's account and shall be subject to any applicable withholding taxes, unless the Escrow Account is distributed to the Beneficiary hereunder as liquidated damages.

No Obligation shall have a final maturity which exceeds July 29, 1994, provided that on and after July 29, 1994, the Deposit Escrow Agent may invest and reinvest the Escrow Account in Obligations having a maturity of one day; and provided further that investments in Money Market Investment Options defined in Exhibit B hereto and deposits in a day of deposit to day of withdrawal interest bearing account shall be deemed to have a maturity of one day.

3. Disbursement of Escrow Account.  
-----

The net proceeds of the Escrow Account shall be paid in accordance with the provisions of Sections 2.01 and 6.07 of the Purchase Agreement, which Sections of the Purchase Agreement (and the definitions of the capitalized terms used in such Sections) are hereby incorporated by reference as though fully set forth in this Section 3. Capitalized terms used in this Section 3 and not otherwise defined in this Agreement shall have the meanings ascribed to such terms in the Purchase Agreement. In order to effect the provisions of this Section 3:

(i) If the Deposit Escrow Agent receives notice from the Beneficiary stating that the Depositor has breached the Purchase Agreement, or that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Depositor or the Depositor's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Depositor, then the Deposit Escrow Agent shall immediately notify the Depositor of the receipt thereof and if within two business days of delivery of such notice to the Depositor the Deposit Escrow Agent has not been notified by the Depositor that the Depositor disputes such notice then the Deposit Escrow Agent shall, not later than the following day, pay to the Beneficiary in immediately available funds by wire transfer to the account specified by the Beneficiary, the full amount of the Deposit including all interest earned thereon to the date of payment;



(ii) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is also signed by the Beneficiary, then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(iii) If the Deposit Escrow Agent receives notice from the Depositor stating that the purchase and sale of the Assets contemplated in the Purchase Agreement has not closed by the Closing Date as a result of a breach of the Purchase Agreement by the Beneficiary or the Beneficiary's failure to satisfy a condition precedent to the Closing, and such notice is not signed by the Beneficiary, then the Deposit Escrow Agent shall immediately notify the Beneficiary of the receipt thereof and if within two business days of delivery of such notice to the Beneficiary the Deposit Escrow Agent has not been notified by the Beneficiary that the Beneficiary disputes such notice then the Deposit Escrow Agent shall, not later than the following day, repay to the Depositor in immediately available funds by wire transfer to the account specified by the Depositor, the full amount of the Deposit including all interest earned thereon to the date of repayment;

(iv) Any disputes of which the Deposit Escrow Agent has notice prior to the payment or repayment of the Deposit in accordance with this Section 3 shall be subject to Section 4(d) of this Agreement.

4. The Deposit Escrow Agent.  
-----

(a) The Depositor and the Beneficiary agree jointly and severally to indemnify, defend, and hold the Deposit Escrow Agent harmless against all losses, liabilities and expenses (including attorney's fees and expenses), arising out of or in connection with this Agreement or any transaction related hereto, except to the extent that any such loss, liability, or expense results from the gross negligence or willful misconduct of the Deposit Escrow Agent. The foregoing indemnities shall survive the resignation of the Deposit Escrow Agent and the termination of this Agreement.

(b) The Deposit Escrow Agent's duties are only such as are specifically provided herein, and the Deposit Escrow Agent shall incur no fiduciary or other liability whatsoever to the Depositor or the Beneficiary, or any other person, except to the extent the Depositor or the Beneficiary incur loss or liability due to the Deposit Escrow Agent's gross negligence or willful misconduct. The Deposit Escrow Agent may consult with counsel and shall be fully protected in any action taken in good faith in accordance with such advice. The Deposit Escrow Agent may rely and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed. The Deposit Escrow Agent shall not be liable for interest on the Escrow Account, except to the extent earned pursuant to investments made hereunder.

(c) The Depositor and the Beneficiary agree to split equally and pay to the Deposit Escrow Agent, annually in advance, as compensation for the ordinary administrative services to be rendered hereunder, a fee of \$4,500 per year, or any part thereof, from and after the date first written above payable on the execution of this agreement and on each anniversary of the date first written above. The Depositor and the Beneficiary jointly agree further to pay all expenses of the Deposit Escrow Agent, including its attorney's fees and expenses, which it may incur in connection with the performance of its duties under this Agreement or the enforcement of the indemnities provided in Section 4(a). The Deposit Escrow Agent's claim for such fees and expenses and for its indemnities provided in Section 4(a) shall constitute a first lien against the Escrow Account. Notwithstanding Section 5 below, billing statements to the Depositor will only be sent to International Nederlanden (U.S.) Capital Corporation, who shall also be responsible on behalf of the Depositor, as to the Deposit Escrow Agent, for payment thereof.

(d) It is understood and agreed that should any dispute arise with respect to the payment and/or ownership or right of possession of the Escrow Account, the Deposit Escrow Agent may retain in its possession, without liability to anyone, all or any part of said Escrow Account until such dispute shall have been settled either by agreement of the parties to such dispute or by the final order, decree or judgment of a court or other tribunal of competent jurisdiction in the United States after the time for appeal has expired and no appeal has been perfected. The Deposit Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings. The Deposit Escrow Agent may turn over all or any part of the Escrow Account to or upon instruction of such court or tribunal, without liability to any person, in the case of any such dispute.

(e) The Deposit Escrow Agent may resign at any time by giving written notice thereof to the Depositor and the Beneficiary. Such resignation shall become effective when a successor Deposit Escrow Agent shall have been appointed by the Depositor and shall have accepted such appointment in writing. If an instrument of acceptance by a successor Deposit Escrow Agent shall not have been delivered to the Deposit Escrow Agent within 30 days after the giving of such notice of resignation, the Deposit Escrow Agent's duties hereunder are limited to holding the Escrow Account without further reinvestment and disposing of the Escrow Account as directed jointly by the Depositor and the Beneficiary. The resigning Deposit Escrow Agent may at the expense of the Depositor petition any court of competent jurisdiction, including without limitation the Supreme Court of the State of New York, for the appointment of a successor Deposit Escrow Agent and may turn over the Escrow Account to such successor Deposit Escrow Agent.

(f) The Deposit Escrow Agent and its affiliates may, without having to account therefor to any person, accept deposits from, extend credit (on a secured or unsecured basis) to and generally engage in any kind of banking, trust or other business with the Depositor or the Beneficiary or any of their affiliates as if it were not acting as the Deposit Escrow Agent, and may accept fees and other consideration for services in connection with this Agreement or otherwise without having to account for the same to any person.

5. Notices. Any notice, consent, request or instruction to be given in

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connection with this Agreement shall be in writing and shall be sent by certified mail, postage prepaid, or telecopied (tested by telephonic confirmation of receipt) or delivered:

(i) if to the Deposit Escrow Agent, to:

Morgan Guaranty Trust Company of New York  
60 Wall Street, 36th Floor  
New York, New York 10260  
Attention: Corporate Trust Administration  
Telecopier: (212) 648-5103  
Telephone: (212) 648-9261

(ii) if to the Depositor, to

Internationale Nederlanden (U.S.) Capital Corporation  
300 South Grand Avenue  
Suite 3000  
Los Angeles, California 90071  
Attention: Laura B. Olinski  
Telecopier: (213) 687-7324  
Telephone: (213) 617-9100

and to:

Essex Management Corporation  
777 California Avenue  
San Francisco, California 94304  
Attention: Mr. Ray Hedrick  
Telecopier: (415) 858-0139  
Telephone: (415) 494-3700

and

Farallon Capital Partners, L.P.  
Tinicum Partners, L.P.  
One Maritime Plaza, Suite 1250  
San Francisco, California 94111  
Attention: Mr. Stephen L. Millham and Mr. Jason Fish  
Telecopier: (415) 421-2133  
Telephone: (415) 421-2132

(iii) if to the Beneficiary, to

Fidelity Federal Bank  
600 N. Brand Avenue  
Glendale, California 91209  
Attention: Legal Department and Richard Greenwood

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Telecopier: (818) 549-3773  
Telephone: (818) 549-3693

6. Depositor. The obligations of the parties constituting the Depositor

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shall be joint and several. The parties constituting the Depositor hereunder hereby appoint Internationale Nederlanden (U.S.) Capital Corporation as their agent hereunder for the purpose of giving notices and taking actions hereunder, and the Beneficiary and the Deposit Escrow Agent may rely on such appointment for all purposes hereunder, except as may otherwise be provided in Exhibit A respecting investment notices.

7. Miscellaneous. This Agreement may be amended only in writing, signed

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by the parties hereto. It expresses the entire understanding of the parties hereto. No third party shall benefit from or be entitled to enforce any provision hereof. No party shall assign its rights or duties hereunder except by operation of law. This Agreement shall be construed in accordance with the laws of the State of New York. It may be executed in several counterparts, each one of which shall constitute an original, and all collectively shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have duly executed this Deposit Escrow Agreement as of the date first written above.

INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL CORPORATION, Depositor

By: /s/ LAURA B. OLINSKI

\_\_\_\_\_  
Name: Laura B. Olinski  
Title: Vice President

FARALLON CAPITAL PARTNERS, L.P., Depositor

By: /s/ JASON M. FISH

\_\_\_\_\_  
Name: Jason M. Fish  
Title: General Partner

TINICUM PARTNERS, L.P., Depositor

By: /s/ JASON M. FISH

\_\_\_\_\_  
Name: Jason M. Fish  
Title: General Partner

ESSEX MANAGEMENT CORPORATION, Depositor

By: /s/ ^

\_\_\_\_\_  
Name:  
Title: President

FIDELITY FEDERAL BANK, Beneficiary

By: /s/ RICHARD M. GREENWOOD

\_\_\_\_\_  
Name: Richard M. Greenwood  
Title: Chairman of the Board,  
and Chief Executive Officer

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK, as Deposit  
Escrow Agent

By: /s/ NORMA R. PANE

Name: Norma R. Pane

Title: Vice President

Exhibit A

-----  
Persons authorized to sign investment instructions

Name and Title

Signature

LAURA OLINSKI, VICE PRESIDENT

/s/ Laura B. Olinski

-----  
Laura Olinski

JOHN WICKSER, V.P.

/s/ John Wickser

-----  
John Wickser

Exhibit B

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Money Market Investment Options

Money Market Fund Name	Portfolio Asset Mix
-----	-----
Federated Trust for U.S. Treasury Obligations	U.S. Treasury Direct Obligations
-----	
The Pierpont (JP Morgan) Money Market Fund	U.S. Government and agency obligations, commercial paper, bankers' acceptances, certificates of deposit, corporate bonds
-----	
Federated Short Term U.S. Government Securities	Off-shore money market fund for non-resident aliens of the U.S. investing in obligations of the U.S. Government and its agencies



PURCHASE OF ASSETS AND LIABILITY ASSUMPTION AGREEMENT

by and between

HOME SAVINGS OF AMERICA, FSB

and

FIDELITY FEDERAL BANK, FSB

as of

July 19, 1994

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(v)

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PURCHASE OF ASSETS AND LIABILITY ASSUMPTION AGREEMENT

This Purchase of Assets and Liability Assumption Agreement ("Agreement") is made and entered into as of July 19, 1994 by and between Fidelity Federal Bank, FSB, a federal savings bank ("Seller"), and Home Savings of America, FSB, a federal savings bank ("Home Savings"), with reference to the following facts:

WHEREAS, Seller desires to sell to Home Savings certain deposit liabilities and other liabilities and assets associated with the nine (9) branch offices of Seller more specifically described and defined on Exhibit A hereto (each individually a "Branch" and collectively the "Branches"); and

WHEREAS, Home Savings desires to assume said deposit liabilities and other liabilities and purchase such assets;

NOT, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Home Savings hereby agree as follows:

ARTICLE 1

TERMS OF PURCHASE AND ASSUMPTION

1.1. Purchase and Sale of Assets. Pursuant to the terms of this Agreement,

Seller shall sell, transfer, convey and assign to Home Savings, and Home Savings shall purchase and acquire from Seller, as of the close of business on the

Closing Date (as defined in Section 10.1), all right, title and interest in and to (i) the Personal Property (as defined in Section 4.3), (ii) the Account Loans (as defined in Section 4.4), (iii) the Transaction Account Loans (as defined in Section 4.4), (iv) the Assumed Contracts (as defined in Section 4.5), (v) subject to the provisions of Sections 4.6, the Branch Leases (as defined in Section 2.10), (vi) the Records (as defined in Section 5.11), (vii) the Cash on Hand (as defined in Section 1.4(a)(i)), and (viii) the safe deposit boxes located at the Branches and the safe deposit business associated therewith (collectively, the "Safe Deposit Business"), all of which are collectively referred to hereinafter as the "Assets," and Seller herein agrees to be bound, effective upon the Closing Date, by the terms of the Covenant Not to Compete (as defined in Section 5.10(c)).

1.2 Assumption of Liabilities. Pursuant to the terms of this Agreement,

Home Savings shall assume at the close of business on the Closing Date the liabilities and obligations of Seller with respect to the Deposits (as defined in Section 4.2), the Account Loans, the Transaction Account Loans, the Assumed Contracts, the Branch Leases, and the Safe Deposit Business, all



of which shall collectively be referred to hereinafter as the "Liabilities"; provided, however, that with respect to the Deposits, Home Savings shall assume no liabilities or obligations of Seller, except for the obligation to pay to the respective depositors the principal amount of each Deposit plus accrued interest thereon, to the extent such sums are included and reflected in final Schedule

-----  
2.6 and to undertake the obligations related to such Deposits specifically  
-----  
described herein.

1.3 Liabilities Not Assumed. Except as specifically set forth in Section

-----  
1.2, Home Savings shall not assume nor be liable for any debt, obligation or liability of Seller of any kind or nature whatsoever, including, but not limited to: any tax; any debt; any liability for employment policies, benefits or practices; any liability with respect to any deposits not fully and accurately reflected on Schedule 2.6; any liability or obligation with respect to the

-----  
Deposits, except the obligation to pay the principal amount of each Deposit plus accrued interest thereon, to the extent such sums are included and reflected in final Schedule 2.6; any liability or obligation in any way arising out of any of

-----  
the Assets or Liabilities prior to the close of business on the Closing Date; any liability or obligation in any way arising out of any threatened or pending litigation; or any liability with respect to any personal injury or property damage claims.

1.4 Purchase Price.

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(a) Definitions:

(i) "Cash on Hand" means all cash on hand at the Branches as of the close of business on the Closing Date, including vault cash, ATM cash, petty cash, tellers' cash and prepaid postage readily useable by Home Savings. At the Closing, Seller shall deliver to Home Savings a schedule ("Schedule

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1.4") indicating the amount and location of the Cash on Hand as of the close of  
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business on the day preceding the Closing Date.

(ii) "Core Deposits" means the aggregate amount of the Deposits associated with the Branches as of the close of business on the closing Date, including accrued and unpaid interest thereon through the close of business on the Closing Date, but excluding: (A) wholesaled deposits, brokered deposit accounts placed through a brokerage firm, money desk, deposit broker or any similar means, including, among others, a deposit broker as defined in Section 29(f)(1) of the Federal Deposit Insurance Act, as amended (the "FDIA"), and any related implementing regulations; (B) deposit accounts owned by any direct or indirect parent or subsidiary of Seller or owned by any employee, officer or director of Seller (or of any direct or indirect parent or subsidiary of Seller) not hired by Home Savings effective upon the closing; (C) the portions of deposit

accounts that secure Account Loans; and (D) deposit accounts with balances, including accrued and unpaid interest thereon, equal to or greater than \$100,000.

(iii) "Deposit Premium" means an amount equal to 2.25% of the aggregate amount of the Core Deposits. The Deposit Premium includes an amount in consideration of the Covenant Not to Compete described in Section 5.10. The remainder of the Deposit Premium is paid to Seller as the reasonable value of the Core Deposits and in partial consideration of the fair market value of the Personal Property and the leasehold interests subject to the Branch Leases.

(iv) "Net Book Value" means the net book value as determined in accordance with generally accepted accounting principles applied on a consistent basis and as reflected in the books and records relied upon by Seller in the preparation of its audited financial statements.

(b) The purchase price of the Assets and the Deposits (the "Purchase Price"), which shall be offset at the Closing (as defined in Section 10.1) against the amount owed to Home Savings by Seller pursuant to the terms of Section 1.5 as consideration for the assumption by Home Savings of the Liabilities, will be an amount equal to the sum of the following:

(i) The Net Book Value of each item of Personal Property determined as of the close of business on the Closing Date;

(ii) The aggregate principal amount of the Account Loans and the Transaction Account Loans, plus accrued and unpaid interest thereon, as of the close of business on the Closing Date;

(iii) The aggregate amount of the Cash on Hand; and

(iv) The Deposit Premium.

1.5 Consideration for Assumption of Liabilities. As consideration for the

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assumption of the Liabilities, Seller shall pay to Home Savings at the Closing one hundred percent (100%) of the aggregate amount of the Deposits as of the close of business on the Closing Date, including accrued and unpaid interest thereon as of the close of business on the Closing Date, as provided in Section 10.2.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents, warrants and agrees as follows:

2.1 Organization and Related Matters. Seller is a federally chartered

stock savings bank duly organized, validly existing, and in good standing under the laws of the United States, and it has the requisite corporate power and authority to execute, deliver and perform this Agreement. Seller is duly authorized to conduct a savings and loan business, is a member in good standing of the Federal Home Loan Bank of San Francisco, and is duly authorized to operate each of the Branches.

2.2 Authorization. The execution, delivery and performance of this

Agreement and the consummation of the transactions contemplated hereby by Seller have been duly and validly authorized and approved by all requisite corporate action. In that connection, this Agreement and the terms and provisions hereof have been specifically approved by the Board of Directors of Seller and such approval is reflected in the minutes of the meetings of such Board of Directors. Seller shall continuously maintain all components of this written agreement as official records of Seller or any successor thereto. This Agreement is a valid and binding obligation of Seller, enforceable in accordance with its terms.

2.3 No Breaches of Statute or Contract; Required Consents. The execution

and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (a) conflict with any of the provisions of the charter, bylaws or other governing instruments of Seller; (b) violate any applicable laws, orders or regulations; (c) conflict with or result in a breach of any judgment, order, decree or ruling to which Seller is a party, or by which it or any of its property is bound, or any injunction of any court or governmental authority to which it or any of its property is subject, or any material agreement to which it is a party or by which any of its property is affected; or (d) require the affirmative consent or approval of any governmental or nongovernmental third party (other than as expressly contemplated in this Agreement).

2.4 Consents. Other than the approval of the Office of Thrift Supervision

(the "OTS"), and the Federal Reserve Bank of San Francisco (the "Fed"), as well as any applicable approval of the Federal Deposit Insurance Corporation (the "FDIC"), and subject to the expiration of any applicable waiting period, no consent, approval or authorization of any federal or state governmental authority or agency is required for the execution, delivery and performance by Seller of this Agreement and the consummation by it of the transactions contemplated hereby.

2.5 Litigation and Related Matters. There are no actions, suits, claims,

proceedings or investigations pending, or, to its best knowledge, threatened against Seller that might impair the consummation of the transactions contemplated hereby or that affect any of the Assets or Liabilities being transferred to Home Savings pursuant to the terms hereof. Seller is not aware of any facts that would reasonably afford a basis for any such action, suit, proceeding, claim or investigation.

2.6 Deposits. Provided herewith as Schedule 2.6 is a true and accurate

schedule of all deposit accounts domiciled at each of the Branches, prepared as of a date within five (5) business days prior to the date of this Agreement, listing by Branch and by category the amount of all deposits and the interest rates and maturity dates associated with such deposits, indicating the deposits that constitute Core Deposits; provided, however, that with respect to

retirement deposits, only the cash portion of the IRA and qualified plan accounts (Keogh, profit-sharing or money purchase accounts) shall be included in such Schedule 2.6 and constitute part of the deposits to be assumed, and

provided further (i) accounts linked to a securities account; (ii) defined benefit retirement accounts for which Seller acts as trustee; (iii) loan collection trust accounts; (iv) accounts which are subject to escheat as of the Closing Date; (v) deposit accounts owned by municipalities or other public or governmental entities; and (vi) any IRA and qualified plan account which is part of a plan which also has accounts at branches of Seller other than the Branches, shall not be included in such Schedule 2.6 and shall not be a part of the

deposits to be transferred pursuant to this Agreement. All of the rates of interest for the deposits as shown on Schedule 2.6 are correct and accurate and

reflect the actual rate of interest or other consideration required to be paid on each such deposit account. Included as a part of Schedule 2.6 for each

category of deposit account domiciled at each of the Branches is a true copy of the form of all contracts, agreements, and other documents governing or specifying the terms of the deposit relationship between Seller and the holders of such deposit accounts ("Depositor Agreements"). Seller is not obligated under any contract, agreement, or other document governing or specifying the terms of the deposit relationship between Seller and any holder of a deposit account domiciled at any of the Branches, except for such contracts, agreements, and other documents that do not vary in any material respect from the forms of Depositor Agreements disclosed in Schedule 2.6. Seller has current

certifications of nonresident alien status, as required by Sections 35a.9999-1 through 35a.9999-5 of the regulations promulgated under the Internal Revenue Code of 1986, as amended (the "IRC"), for the deposits domiciled at the Branches that are classified as nonresident alien accounts, and will deliver all such certifications to Home Savings at the Closing.

2.7 Personal Property. Provided herewith as Schedule 2.7 is a true and

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accurate schedule of all furniture, fixtures, equipment, alarm systems, supplies, leasehold improvements and other tangible personal property owned or leased by Seller and located at the Transfer Branches (as defined below) and the Option Branch (as defined below) and including safe deposit boxes located at all of the Branches (but excluding signs, posters, stationery, forms and other items that specifically identify Seller by name or logo and all other items of value only to Seller), which schedule specifies the original cost and Net Book Value of each such item, computed as of the month end immediately prior to the date of execution of this Agreement, and describes any security interests therein or other lien thereon. "Transfer Branch" means, subject to the provisions of Section 4.6, the Fairfax Branch and the Rancho Park Branch, and the Option Branch, if the Option Branch is designated as a Transfer Branch pursuant to Section 4.7. "Option Branch" means, subject to the provisions of Section 4.7, the Agoura Hills Branch. All Personal Property which is not excluded by Home Savings pursuant to Section 4.3 shall be transferred in "as is" condition as of the Closing without warranty as to the condition or fitness for use thereof.

2.8 Account Loans and Transaction Account Loans. Provided herewith as

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Schedule 2.8 is a true and accurate schedule of (a) all savings account loans  
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including accrued and unpaid interest thereon ("account loans"), that are secured solely and fully by the deposits set forth on Schedule 2.6 (excluding  
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any savings account loans that are also secured by deposit accounts domiciled at any branch office of Seller that is not one of the Branches), and (b) all NOW, checking and other transaction account lines of credit, including accrued and unpaid interest thereon ("transaction account loans") associated with any of the deposits set forth on Schedule 2.6 (excluding those transaction account  
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loans that are expired or that are not linked to an open transaction account or that exceed the assigned credit limit), computed as of a date within five (5) business days prior to the date of this Agreement. The unpaid principal balances, rates of interest and principal terms of the account loans and transaction account loans are set forth on Schedule 2.8. Included as a part of  
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Schedule 2.8 for each category of account loan and transaction account loan is a  
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true copy of the form of all contracts, agreements, and other documents governing or specifying the terms of the borrowing relationship between Seller and the borrowers under such loans ("Loan Agreements"). Seller has not entered into any contract, agreement, or other document governing or specifying the terms of the borrowing relationship between Seller and any borrower under an account loan or transaction account loan, except for such contracts, agreements, and other documents that do not vary in any material respect from the forms of Loan Agreements disclosed in Schedule 2.8. Each account loan and transaction  
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account loan is the valid and binding obligation of the maker thereof, enforceable in accordance with its terms.

Seller owns each account loan and transaction account loan free and clear of all liens, claims and encumbrances. The account loans and transaction account loans and the origination and administration of such loans comply with all applicable federal and state laws and regulations, including, but not limited to, Regulation E, Regulation B, usury laws and Truth in Lending Laws.

2.9 Contracts. Provided herewith as Schedule 2.9 is a true and accurate

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schedule of all contracts of any kind relating to the Safe Deposit Business and the operation and the business of the Transfer Branches and the Option Branch, and including, among other things, safe deposit box contracts, maintenance contracts, governmental licenses and permits, service contracts, note collection agreements, messenger contracts and personal property leases, which schedule indicates whether the consent of a third party is required in order for such contract to be assigned to Home Savings. Seller has performed in all material respects all of its obligations under each of the contracts set forth on Schedule 2.9 to the extent such obligations to perform have accrued.  
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2.10 Branch Leases. Provided herewith as Schedule 2.10 is a true and

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accurate schedule of each and every lease or sublease, as amended to date, along with a true and accurate copy thereof, utilized by Seller in connection with the operation of the Transfer Branches and the Option Branch, including all leases under which Seller is the lessee or sublessee or the lessor or sublessor (collectively, the "Branch Leases"), and a list indicating whether the consent of a third party is required in order for any such lease or sublease to be assigned to Home Savings. Each branch lease and sublease set forth on Schedule 2.10 is valid and in full force and effect. Seller is not (and to the

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best knowledge of Seller no other party is) in breach or violation of, or default under, and there is no valid basis for a claim of breach or violation of, or default under, and no event has occurred that constitutes or, with the lapse of time or the giving of notice or both, would constitute a breach, violation or default by Seller under any such lease or sublease. Seller has the right to quiet enjoyment under each of the leases under which it is a lessee or sublessee. Each such leasehold estate either (a) is, or will be prior to the Closing Date, and will remain either superior to or free of all deeds of trust, mortgages or other debt encumbrances that could extinguish or otherwise materially and adversely affect Seller's leasehold estate in the event of foreclosure of such deed of trust, mortgage or other debt encumbrance, or (b) is, or will be prior to the Closing Date, and will remain subject to a valid, recorded nondisturbance and attornment agreement with the holder of such deed of trust, mortgage or other debt encumbrance that will inure to the benefit of Home Savings, true and complete copies of which agreements are, or will be upon recordation, provided herewith as part of Schedule 2.10. A memorandum of each

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Branch Lease to which Seller

is a lessee or sublessee will be recorded in the appropriate governmental office no later than thirty (30) days prior to the Closing Date.

2.11 Real Property. Except as described on Schedule 2.11, no person or

entity, other than Seller, has any right, title or interest in the real property fee interests associated with the Woodland Hills Branch. Except as described on Schedule 2.11 or included as part of Schedule 2.10, there are no leases, subleases, occupancies, tenancies, options to purchase or rights of first refusal pertaining to the real property fee interests associated with the Woodland Hills Branch.

2.12 Title to Assets. Seller is the lawful owner of, and has good and

marketable title to, the Assets free and clear of all liens, claims, encumbrances and rights of others, except as disclosed on Schedule 2.12.

Delivery to Home Savings of the instruments of transfer of ownership contemplated by this Agreement will vest good and marketable title to the Assets in Home Savings, free and clear of all liens, claims, encumbrances, and rights of others, except as disclosed on Schedule 2.12.

2.13 Compliance with Laws and Regulations. Seller has conducted and is

conducting its business at each of the Branches in accordance with all federal and state laws and regulations, including, without limitation, all regulations, orders and opinions of the OTS, the Fed and the FDIC, except where the failure to so comply would not have a material adverse effect on the value of any of the Assets or Liabilities. The Branches, their operation and existence, the deposits domiciled at the Branches, the account loans, the transaction account loans and the administration thereof are in compliance with all applicable laws, orders, and regulations (including all applicable Internal Revenue Service (the "IRS") information reporting, backup withholding and customer certification regulations). The deposits domiciled at the Branches are insured by the FDIC up to the current applicable maximum limits, and no action is pending or, to Seller's best knowledge, threatened by the FDIC with respect to the termination of such insurance.

2.14 Information for Regulatory Approvals. The information furnished or

to be furnished by Seller in any regulatory application filed by either Home Savings or Seller pursuant to Section 6.1 will be true and complete as of the date so furnished. Seller shall indemnify Home Savings for any Losses (as defined in Section 13.1) incurred by Home Savings as a result of any misrepresentations or omissions of material facts by Seller with respect to any such written information furnished by Seller. There are no facts known to Seller not disclosed in writing to Home Savings that could have an adverse effect on the ability of Seller to obtain all requisite regulatory consents or to perform its obligations under this Agreement.

2.15 Governmental Notices. Seller has received no notice from any federal,

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state, or other governmental agency indicating that such agency would oppose or not grant or issue its consent or approval, if requested, with respect to the transactions contemplated hereby and has no knowledge of any facts that it believes would reasonably afford a basis for any such opposition or failure to grant or issue consent or approval.

2.16 Condition of the Branches. To the best knowledge of Seller, the real

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property improvements at the Transfer Branches and at the Option Branch (including the roof and other structural components and the electrical, plumbing, HVAC and other equipment and systems incorporated into such improvements) and the current use and operation thereof are in compliance with and authorized by applicable zoning and other land use regulations, including, without limitation, building, fire, health and safety codes and all private covenants, restrictions and easements. The real property improvements at the Transfer Branches and at the Option Branch (including the roof and other structural components and the electrical, plumbing, HVAC and other equipment and systems incorporated into such improvements) are structurally sound with no known material defects and are in all respects in good operating condition and repair and are adequate for the uses to which they are being put; and none of such improvements is (or is likely to be in the immediate future) in need of maintenance or repairs, except for ordinary, routine maintenance and repairs that are not material in nature or cost. To the best knowledge of Seller, there are no facts or circumstances existing or threatened that could have a material adverse effect on the present or future use of the Transfer Branches or the Option Branch or any related improvements as savings and loan branch offices. Seller has neither received notice nor has knowledge that any governmental authority or any employee or agent thereof considers the real property or improvements at the Transfer Branches or the Option Branch to violate or to have violated any fire, zoning, health, building, hazardous waste or environmental code, ordinance, statute, regulation or order of any government or any agency, body or subdivision thereof, and, to the best knowledge of Seller, no such violations exist. Except for this Agreement and as reflected in the Schedules hereto, Seller is not a party to any agreement relating to any Transfer Branch or to the Option Branch.

2.17 Signage. The exterior signs used by Seller at the Transfer Branches

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and at the Option Branch comply with all applicable local ordinances and are permissible under the terms of all leases and/or subleases, if any, governing Seller's use of such Branches.

2.18 Taxes. All payroll, withholding, property, excise, sales, use,

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transfer, and any other taxes imposed by the United States or by any state, municipality, subdivision or



instrumentality of the United States or by any other taxing authority relating to any of the Branches that are due and payable by Seller prior to the Closing have been paid in full, or will be paid in accordance with applicable law prior to the Closing.

2.19 Hazardous Substances. Except as disclosed on Schedule 2.19 hereto, to

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the best knowledge of Seller, the real property and improvements comprising the Transfer Branches and the Option Branch, including all subsurface soils and ground water, are free of contamination from any substance or material ("Hazardous Substances") presently known to be toxic or hazardous, including, without limitation, any radioactive substance, methane, volatile hydrocarbons, industrial solvents, any hazardous substances as defined by applicable federal, state, county, city or other law or by the courts of the jurisdiction in which each such Branch is located, or any other material or substance that, based on present knowledge, could presently or at any time in the future cause a detriment to or impair the beneficial use or occupancy of the Branch by Home Savings or cause a health, safety or other environmental hazard to any occupant or user thereof, including, among others, any contractors, subcontractors or workmen performing remodeling, renovation, redevelopment or other alteration work on or to the Branch. To the best knowledge of Seller, no construction material used in any Transfer Branch or Option Branch contains asbestos or any other substance or material presently known to be toxic or hazardous. To the best knowledge of Seller, no Transfer Branch or in the Option Branch contains any underground storage or treatment tanks, active or abandoned water, gas or oil wells or any other underground improvements or structures of any kind, other than the foundations, footings or other supports for the building and improvements located thereon.

2.20 Condemnation. Seller has no notice of any pending or threatened

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proceeding in eminent domain or otherwise, that would affect any of the Transfer Branches or the Option Branches, or any portion thereof, nor does Seller know of any facts that might give rise to such action or proceeding. Seller has no knowledge of any existing, proposed or contemplated plan to widen, modify, realign or change the direction of traffic of any street or highway contiguous to any of the Transfer Branches or the Option Branches. To the best knowledge of Seller, there are no intended public improvements that will result in any charge being levied or assessed against, or in the creation of any lien upon, any of the Transfer Branches or the Option Branches.

2.21 FIRPTA. Seller is not a "foreign person" within the meaning of

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Internal Revenue Code Section 1445.

2.22 Plans and Specifications. Seller has previously delivered to Home

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Savings the final plans and specifications for

the improvements it has constructed or otherwise allowed at the Transfer Branches and at the Option Branch, and all change orders, supplements or revisions thereto, together with true and correct copies of all "as built" drawings for such improvements. To the best knowledge of Seller, such improvements have been constructed in substantial compliance with the final plans and specifications delivered to Home Savings and in conformity with all applicable state, county and municipal laws, ordinances and regulations.

2.23 No Broker's or Finder's Fees. No agent, broker, investment banker,

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person, firm or other entity acting on behalf of or under authority of Seller or any of its affiliates, is or will be entitled to any broker's or finder's fee or any commission, financial advisory fee or similar fee directly or indirectly in connection with any of the transactions contemplated by this Agreement. Seller shall be solely liable for the payment of any such fee, and shall indemnify Home Savings with respect to such fees pursuant to Article 13 of this Agreement.

2.24 Community Reinvestment Act. Seller is in compliance with the Community

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Reinvestment Act and its implementing regulations, and there are no threatened or pending actions, proceedings or allegations by any person or regulatory agency which may cause the OTS, the Fed, the FDIC or any other applicable regulatory agency or authority to deny any application required to be filed pursuant to Section 6.1. In addition, Seller has not been advised of any supervisory concerns regarding its compliance with the Community Reinvestment Act.

2.25 Safe Deposit Business. Provided herewith as Schedule 2.25 is a true

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and accurate schedule of all customers of the Safe Deposit Business as of the month-end immediately preceding the date hereof. All customers of the Safe Deposit Business have paid their rent obligations as such obligations relate to the Safe Deposit Business, and Seller is aware of no facts or circumstances relating to any claims against the Safe Deposit Business.

2.26 Agreements Relating to Employees. There is no labor contract,

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collective bargaining agreement, or employment agreement, express or implied, with respect to any employee of Seller located at any of the Branches as of the date of this Agreement, nor are there any employee policies or plans of Seller, whether written or oral, which would prevent the termination without liability (except for unemployment compensation) by Seller of any employee located at any of the Branches. There is no pending or, to Seller's best knowledge, threatened strike or work stoppage by employees located at any of the Branches nor, to Seller's best knowledge, is there any action

by anyone seeking to become the bargaining unit for any group of any employees located at any of the Branches.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF HOME SAVINGS

Home Savings represents, warrants and agrees as follows:

3.1 Organization and Related Matters; Compliance with Laws and

Regulations. Home Savings is a federally chartered stock savings bank, duly

organized, validly existing, and in good standing under the laws of the United States, and it has the requisite corporate power and authority to execute, deliver and perform this Agreement. Home Savings is duly authorized to conduct a savings and loan business and is a member in good standing of the Federal Home Loan Bank of San Francisco. Home Savings has conducted and is conducting its business in accordance with all federal and state laws and regulations, including, without limitation, all regulations, orders and opinions of the OTS and the FDIC.

3.2 Authorization. The execution, delivery and performance of this

Agreement and the consummation of the transactions contemplated hereby by Home Savings have been duly and validly authorized and approved by all requisite corporate action. In that connection, this Agreement and the terms and provisions hereof have been approved by an officer of Home Savings who was duly authorized by the Board of Directors to enter into such types of transactions and such authorization is reflected in the minutes of the Board of Directors' meetings. Home Savings shall continuously maintain all components of this written agreement as official records of Home Savings or any successor thereto. This Agreement is a valid and binding obligation of Home Savings, enforceable in accordance with its terms.

3.3 No Breaches of Statute or Contract; Required Consents. The execution

and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (a) conflict with any of the provisions of the charter, bylaws or other governing instruments of Home Savings; (b) violate any applicable laws or regulations; (c) conflict with or result in a breach of any judgment, order, decree or ruling to which Home Savings is a party, or by which it or any of its property it bound, or any injunction of any court or governmental authority to which it or any of its property is subject, or any material agreement to which it is a party or by which any of its property is affected; or (d) require the affirmative consent or approval of any governmental or nongovernmental third party (other than as expressly contemplated in this Agreement).

3.4 Consents. Other than the approval of the OTS and any applicable

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approval of the FDIC, and subject to the expiration of any applicable waiting period, no consent, approval or authorization of any federal or state governmental authority or agency is required for the execution, delivery and performance by Home Savings of this Agreement and the consummation by it of any transactions contemplated herein.

3.5 Litigation and Related Matters. There are no actions, suits, claims,

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proceedings or investigations pending, or, to its best knowledge, threatened against Home Savings that might impair the consummation of the transactions contemplated hereby. Home Savings is not aware of any facts that would reasonably afford a basis for any such action, suit, proceeding, claim or investigation.

3.6 Information for Regulatory Approvals. The information furnished or to

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be furnished by Home Savings in any regulatory application filed by either Home Savings or Seller pursuant to Section 6.1 will be true and complete as of the date so furnished. Home Savings shall indemnify Seller for any Losses (as defined in Section 13.1) incurred by Seller as a result of any misrepresentations or omissions of material facts by Home Savings with respect to any such written information furnished by Home Savings. There are no facts known to Home Savings not disclosed in writing to Seller that could have an adverse effect on the ability of Home Savings to obtain all requisite regulatory consents or to perform its obligations under this Agreement.

3.7 No Broker's or Finder's Fees. No agent, broker, investment banker,

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person or firm acting on behalf of or under authority of Home Savings or any of its affiliates is or will be entitled to any broker's or finder's fee or any other commission, financial advisory fee or similar fee directly or indirectly in connection with any of the transactions contemplated by this Agreement, other than Nehls & Associates. Home Savings shall be solely liable for the payment of any such fee to Nehls & Associates and shall indemnify Seller with respect to such fee pursuant to Article 13 of this Agreement.

3.8 Governmental Notices. Home Savings has received no notice from any

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federal, state, or other governmental agency indicating that such agency would oppose or not grant or issue its consent or approval, if requested, with respect to the transactions contemplated hereby and has no knowledge of any facts that it believes would reasonably afford a basis for any such opposition or failure to grant or issue consent or approval.

3.9 Community Reinvestment Act. Home Savings is in compliance with the

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Community Reinvestment Act and its implementing regulations, and there are no threatened or pending actions, proceedings or allegations by any person or regulatory

agency which may cause the OTS, the FDIC or any other applicable regulatory agency to deny any application required to be filed pursuant to Section 6.1. In addition, Home Savings has not been advised of any supervisory concerns regarding its compliance with the Community Reinvestment Act.

ARTICLE 4

DUE DILIGENCE

4.1 General. For a period of sixty (60) days following the date of this

Agreement, Home Savings may inspect the Branches, the Assets and the Liabilities at such times as are reasonably acceptable to Seller. In furtherance and not in limitation of the foregoing, Home Savings shall be afforded such access to the Transfer Branches as is reasonably necessary in Home Savings' judgment for purposes of environmental and hazardous substance inspection and evaluation and to undertake such other studies and investigations as Home Savings shall deem necessary or appropriate. Home Savings shall provide notice to Seller of any defects or problems with the Branches, the Assets or the Liabilities, which, in Home Savings' reasonable judgment, alone or in the aggregate, (i) relate to the structural soundness or environmental condition of any of the Transfer Branches (including, without limitation, arising from Home Savings' judgment that such Transfer Branch is in any way contaminated by toxic or hazardous substances, including, without limitation, asbestos, or that an underground storage tank or similar structure of any kind is located on the premises of any such Transfer Branch) or the compliance at any of the Transfer Branches with applicable zoning, building, fire, health and safety, environmental, or hazardous substance laws, codes, ordinances, and regulations, or (ii) would have an adverse effect

on the present or future use of any of the Transfer Branches or the business of such Transfer Branch or the value of the Assets or the Liabilities. Seller shall promptly remedy any such defect or problem or propose to Home Savings a remedy or other resolution. The failure to remedy or resolve any such defect or problem to Home Savings' satisfaction shall give Home Savings the right to exclude from Schedule 2.10 any lease associated with the affected Branch, and

such affected Branch shall be deemed an Excluded Branch in accordance with the provisions of Section 4.6(d) hereof.

4.2 Deposits. Home Savings shall have the right to inspect the deposits

identified on Schedule 2.6 and may by notice to Seller exclude from Section 2.6

any deposit accounts it is unwilling to assume for legal reasons. Home Savings

shall notify Seller of any of Seller's deposit products or deposit agreements Home Savings cannot service or support after the Closing Date. The parties agree that they will send a notice to holders of such

accounts offering the option to either accept a new deposit product or deposit agreement with Home Savings or to continue their deposit relationship with Seller. If an account holder does not respond to the notice or elects to have their account remain with Seller, such deposits shall be excluded from Schedule

2.6 and shall not be transferred pursuant to this Agreement. Within twenty-one

(21) days, but no less than fourteen (14) days, prior to the Closing Date, Seller will provide Home Savings with a list of all deposits domiciled at the Branches that are subject to any encumbrances, or any legal restraint or any other legal process, other than encumbrances related to account loans or transaction account loans. Within five (5) days of the Closing Date, Home Savings will notify Seller of any such deposits that Home Savings has determined to exclude from the deposits to be transferred pursuant to this Agreement. In the event that there has been a decline in excess of fifteen percent (15%) of the aggregate amount of the deposits domiciled at any Branch from the date of this Agreement, then Home Savings at its sole option shall have the right to decline to assume or purchase any of the deposits and other Assets and Liabilities associated with such Branch. An updated Schedule 2.6 reflecting all

such exclusions and the balances of the remaining deposit accounts domiciled at the Branches (collectively referred to herein as the "Deposits"), including accrued and unpaid interest thereon, as of the close of business on a day no earlier than five (5) business days prior to the Closing Date and indicating the deposits that constitute Core Deposits, shall be delivered by Seller to Home Savings at the Closing. Seller shall provide Home Savings with a list of Deposits subject to encumbrances, legal restraint or legal process, other than encumbrances constituting security for related account loans or transaction account loans to be transferred to Home Savings at the Closing, on the final Schedule 2.6 delivered pursuant to Section 10.5, and Home Savings shall have the

right to exclude, upon notice to Seller, any such encumbered deposits from the final Schedule 2.6.

4.3 Personal Property. Home Savings shall have the right to inspect the

personal property identified on Schedule 2.7 and may by notice to Seller exclude

from Schedule 2.7: (a) items that are missing, malfunctioning or in a

significantly deteriorated condition; (b) signs, posters, stationery, forms and other items that specifically identify Seller by name or logo; (c) telephone, ATM and computer equipment that Home Savings determines it cannot readily utilize; and (d) items that are subject to any lien, claim or encumbrance as of the Closing. An updated Schedule 2.7 listing all of the items of personal

property remaining after any such exclusions, and after the exclusion of any items located at the Option Branch if the Option Branch is not designated a Transfer Branch (collectively, such items are referred to herein as the "Personal Property"), and listing, among other things, the Net Book Value of each item calculated as of the close of business on the month end preceding

the Closing Date, shall be delivered by Seller to Home Savings at the Closing.

4.4 Account Loans and Transaction Account Loans. Home Savings shall have

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the right to review the account loans and the transaction account loans  
identified on Schedule 2.8 and may by notice to Seller exclude from Schedule 2.8  
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(a) any loan that is not current or is thirty (30) or more days delinquent, (b)  
any loan that was not underwritten based upon standards comparable to those  
employed by Home Savings in its underwriting of similar loans, and (c) any  
account loan that is not secured solely and fully by deposits domiciled at the  
Branches. An updated Schedule 2.8 listing all of the account loans and

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transaction account loans remaining after any exclusions by Home Savings  
(collectively referred to herein as the "Account Loans" and the "Transaction  
Account Loans," respectively) and reflecting the balance of the Account Loans  
and Transaction Account Loans, including accrued and unpaid interest thereon, as  
of the close of business on a day no more than five (5) business days prior to  
the Closing Date, and indicating the unpaid principal balances, rates of  
interest and principal terms of the Account Loans and Transaction Account Loans,  
but excluding any account loan or transaction account loan that is thirty (30)  
or more days delinquent as of the close of business on the Closing Date, shall  
be delivered by Seller to Home Savings at the Closing.

4.5 Contracts. Home Savings shall have the right to inspect the contracts

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identified on Schedule 2.9 and may by notice to Seller exclude from Schedule 2.9  
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any contract that (a) is not assignable by its terms (unless consent to its  
assignment to Home Savings is obtained by Seller at least fourteen (14) days  
prior to the Closing), (b) requires the consent of a third party in order for  
such contract to be assigned to Home Savings, if such consent has not been  
obtained at least fourteen (14) days prior to the Closing, (c) Home Savings  
determines is not for any reason necessary or desirable for the operation of the  
Branches, or (d) contains other than market or usual rates, terms and conditions  
or is of a duration unacceptable to Home Savings. An updated Schedule 2.9

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listing all of the contracts remaining after any such exclusions, and after the  
exclusion of any contracts related to the Option Branch, if the Option Branch is  
not designated a Transfer Branch (collectively, such contracts are referred to  
herein as the "Assumed Contracts"), shall be delivered by Seller to Home Savings  
at the Closing. Any contract not assumed by Home Savings shall be retained by  
Seller.

4.6 Branch Leases; Real Property.

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(a) Within fourteen (14) days from the date of this Agreement,  
Seller, at its expense, shall provide Home Savings with a preliminary title  
report issued by a nationally or regionally recognized title insurance company  
acceptable to Home

Savings (the "Title Company"), with respect to the real property fee interests and leasehold estates associated with the Transfer Branches, together with all documents or instruments referred to in such reports.

(b) Home Savings shall be deemed to have approved the condition of title to such real property fee interests and leasehold estates of the Transfer Branches (including the Option Branch, if designated as a Transfer Branch pursuant to Section 4.7) unless, within thirty (30) days of its receipt of a complete title report with respect to a Branch, Home Savings shall have notified Seller of any disapproved liens, encumbrances, easements, restrictions, conditions, covenants, rights, rights-of-way or other matters affecting title to such Branch, other than standard printed policy exceptions or liens for property taxes not yet payable (collectively, the "Liens") that appear on the title report. Seller shall have fourteen (14) days following receipt of such written notice to notify Home Savings whether it will attempt to cause the removal of such Liens, and shall have until thirty (30) days prior to the Closing Date to cure or rectify any such Liens to the sole satisfaction of Home Savings. Home Savings shall also have the right to approve any Lien that appears of record subsequent to the date of the title reports and prior to the Closing, and shall have ten (10) days from receipt of notice of such Lien within which to approve or disapprove such Lien. Home Savings agrees to take all action reasonably necessary to assist in the removal of such Liens and to cooperate with Seller in negotiating reasonable accommodations with the holders of such Liens; provided,

however, that nothing herein shall be construed as requiring Home Savings to make any type of financial concession or to offer any type of financial inducement in connection therewith. If Seller fails to remedy any Lien objected to by Home Savings, Home Savings may, at its option; (i) waive any such disapproval, in which case Seller shall have no further liability to Home Savings with respect to such title exception, and such Lien shall constitute a Permitted Exception to the applicable Title Policy to be furnished pursuant to section 10.3; or (ii) exclude from Schedule 2.10 the lease establishing the

leasehold interest that is affected by the unacceptable Lien.

(c) Home Savings, its agents and representatives, upon notice to Seller and at such times as are reasonably acceptable to Seller, shall have the right and license to enter upon and inspect the Transfer Branches and to review the leases identified on Schedule 2.10 and to contact the parties thereto. Home

Savings may by written notice to Seller exclude from Schedule 2.10 any lease

associated with any Transfer Branch, if Home Savings determines that such Branch (i) is unacceptable on the basis of structural or environmental considerations, (ii) is threatened with condemnation, (iii) is the subject of legal proceedings commenced under the power of eminent domain, (iv) is



subject to any zoning or other order, limitation or restriction imposed against the same that might have a material adverse impact upon the use of such Branch as a savings and loan branch office, or (v) is damaged or destroyed by fire, flood, earthquake or other casualty. Home Savings shall also have the right to exclude any lease with respect to which there is any claim of breach, violation or default by Seller thereunder, and any lease which requires consent to any transfer, as set forth on Schedule 2.10, if such consent is not obtained. An

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updated Schedule 2.10 listing all of the leases to be assumed by Home Savings

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(collectively referred to herein as the "Branch Leases"), shall be delivered by Seller to Home Savings at the Closing. If Home Savings excludes any Transfer Branch pursuant to this Section 4.6(c), Seller shall have the right, but not the obligation, to cure such defects prior to the Closing Date. In the event such defects are cured in Home Savings' reasonable judgment, the exclusion of such Transfer Branch from this Agreement shall be withdrawn by Home Savings and such Transfer Branch shall be included in the acquisition by Home Savings. Notwithstanding the foregoing, Home Savings shall have the right to waive any such defects which Seller is unable or unwilling to cure and proceed to acquire any such Transfer Branch.

(d) If Home Savings excludes any lease associated with any Transfer Branch from Schedule 2.10, then each affected Transfer Branch shall be

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referred to herein as an "Excluded Branch" and shall not be considered a Transfer Branch for purposes of this Agreement. If following its designation as a Transfer Branch, the Agoura Hills Branch is designated as an Excluded Branch by Home Savings, Home Savings shall acquire only the Deposits, Account Loans, Transaction Account Loans, Records and Safe Deposit Business associated with such Excluded Branch. Notwithstanding any other provision of this Agreement, Home Savings shall have no obligation to assume or purchase any of the Liabilities or Assets associated with the Fairfax Branch or the Rancho Park Branch if either such Branch is designated an Excluded Branch; provided,

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however, that in any such event Home Savings may at its option choose to acquire only the Deposits, Account Loans, Transaction Account Loans, Records, and/or Safe Deposit Business associated with such Fairfax Branch or Rancho Park Branch, as the case may be, on the terms and conditions hereunder, provided such option is exercised in writing at the time such Branch is designated an Excluded Branch pursuant to the terms hereof.

#### 4.7 Option Branch.

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(a) For a period of thirty (30) days following the date of this Agreement, Home Savings shall have the option (the "Designation Option") through written notice provided to Seller, to designate the Option Branch as a Transfer Branch. In the event no written notice is provided by Home Savings with respect

to the Option Branch within the thirty-day period, or in the event Home Savings provides notice of its refusal to exercise the Designation Option with respect to the Option Branch, the Option Branch shall be treated solely as a Branch subject to the provisions of the Agreement, and shall not be deemed a Transfer Branch under the provisions of this Agreement.

(b) The due diligence rights provided in this Article 4 to Home Savings, the corresponding obligations of Seller with respect thereto regarding the Transfer Branches (including, without limitation, the obligation to provide title reports pursuant to Section 4.6), and the covenants of Seller set forth in Article 5, shall apply equally with respect to the Option Branch during the thirty-day period following the date of this Agreement. Thereafter, the Option Branch shall be deemed to constitute a Transfer Branch only if designated as a Transfer Branch pursuant to the provisions of Section 4.7(a) of this Agreement. Home Savings shall have all due diligence rights with respect to the Option Branch following its designation as a Transfer Branch as Home Savings has with respect to each other Transfer Branch, including the ability to designate such Branch as an Excluded Branch pursuant to the provisions of Section 4.6.

ARTICLE 5

COVENANTS OF SELLER

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During the period from the date hereof to the Closing Date, Seller hereby covenants and agrees as follows:

5.1 Access for Investigations and Conversion. Seller shall provide Home

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Savings and its representatives and agents access, at all reasonable times, to the Branches and to all books, records, documents, instruments and files of Seller relating to the Assets, the Liabilities and the operations of the Branches, in order to permit Home Savings to complete the due diligence permitted by Article 4 and Section 6.4 of this Agreement, and for purposes of implementing the conversion of such assets and liabilities to assets and liabilities of Home Savings. Within thirty (30) days of the date of this Agreement, Seller shall provide Home Savings with a Phase I environmental report and assessment, together with an asbestos survey, prepared by environmental consultants selected by Home Savings, with respect to each of the Transfer Branches and the Option Branch. The cost of such reports shall be borne equally by Seller and Home Savings. Home Savings shall have thirty (30) days following the receipt of such reports to exclude any branch pursuant to Section 4.6(c) in the event it is not satisfied with the contents of the related Phase I and asbestos reports, in which case such Branch shall be deemed an "Excluded Branch" in accordance with the provisions of Section 4.6(d) of this Agreement.

5.2 Preservation of Business. Seller shall use its best efforts to

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preserve substantially intact the business operations of the Branches, to keep available the services of the present officers and employees of the Branches and to preserve the present relationships of Seller with all customers of the Branches and with all entities having significant business dealings with Seller through the Branches, and Seller shall notify Home Savings of any material changes in any of the Branches' personnel or customer relations.

5.3 Operations in Ordinary Course.

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(a) Seller shall not engage in any transaction related to any of the Branches, except in the ordinary course of business, and shall not take any action that would materially and adversely affect any of the Assets or the Liabilities to be acquired and assumed hereunder.

(b) Seller further covenants that it shall:

(i) at its expense maintain the Transfer Branches and all of the Personal Property in the same condition as on the date of this Agreement, reasonable wear and use excepted;

(ii) maintain its books of accounts and records with respect to the Assets and Liabilities in the usual, regular and ordinary manner;

(iii) duly maintain compliance with all laws, regulatory requirements and agreements to which it is subject or by which it is bound with respect to the Assets, the Liabilities and the Branches;

(iv) maintain insurance upon the Branches and, with respect to the conduct of its business at the Branches, in such amounts and of such kinds as have been maintained by it in the past;

(v) not acquire, add to, or dispose of any capital assets of or for the Transfer Branches, except for immaterial amounts in the ordinary course of business;

(vi) not transfer to Seller's other offices any material amount of the Assets or Liabilities, except for (a) transfers as may occur in the ordinary course of business at the unsolicited request of customers, and (b) cash and other normal intrabank transfers that may be transferred in the ordinary course of business in accordance with normal banking practices;

(vii) not increase or agree to increase the salary, remuneration, or compensation of any employee located at any of the Transfer Branches;

(viii) not increase the aggregate full-time equivalent size of its work force at any of the Transfer Branches above the level existing as of the date hereof, and shall not transfer to or from any of the Branches any employee;

(ix) not create or suffer to exist any new lien, claim or encumbrance on any of the Assets or on the Transfer Branches; and

(x) not enter into any agreement, commitment, or understanding, whether written or otherwise, with respect to any of the foregoing.

5.4 Operations at the Branches. Seller shall not amend or modify any of

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its promotional, deposit account, account loan or transaction account loan practices at any of the Branches without Home Savings' prior written consent. Seller shall operate the Branches in a manner designed to maintain the several categories of the deposits domiciled at the Branches at the current levels as set forth in Schedule 2.6, and on the same terms and conditions as existed as of

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the date of this Agreement, including, among others, the rates of interest payable on such deposits, except for interest rate changes made in the ordinary course of business consistent with past practice that are implemented generally throughout all of Seller's branch offices. Without the express written consent of Home Savings, Seller shall not: (i) accept new or renew existing deposit accounts having balances of \$100,000 or more within seven (7) days preceding the Closing Date, unless substantially the same terms, conditions and interest rates govern such accounts as apply to similar accounts at Home Savings at the time the account is established or renewed; or (ii) increase the aggregate amount of the deposits as shown in Schedule 2.6 by more than ten percent (10%) of the

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balance thereof, including accrued but unpaid interest thereon. Seller shall underwrite and administer the account loans and the transaction account loans domiciled at the Branches in accordance with its past standards and practices and in accordance with applicable laws and regulations.

5.5 Contracts. Seller shall not enter into any material contracts with

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respect to any of the Transfer Branches, the Assets or the Liabilities without the prior consent of Home Savings. If any contract that is or should be identified on Schedule 2.9 expires prior to the Closing Date, Seller shall

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consult with Home Savings regarding extension, renewal or replacement of such contract.

5.6 Real Property and Branch Leases.

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(a) Seller shall not: (i) amend, alter, renew, terminate, or exercise any option to extend the term of, any lease identified on Schedule 2.10, or (ii) sublease or lease any

space at any of the Transfer Branches, without Home Savings' prior written consent in each case.

(b) Seller shall, within thirty (30) days after the date of this Agreement, notify all lessors, sublessors, lessees and sublessees under the Branch Leases with respect to which Seller is a lessee, sublessee, lessor or sublessor and all merchant associations or similar entities related to or affecting any of the Transfer Branches, of the anticipated assignment of the Branch Leases, and request that such parties cooperate with Seller and Home Savings with respect to the execution of any necessary consents, the execution of amendments to any Branch Lease as reasonably necessary, the replacement of signage, and all other matters necessary or desirable to facilitate such assignment and assumption.

(c) Seller shall request, within thirty-five (35) days after the date of this Agreement with respect to each Transfer Branch, and shall use its best efforts to obtain and deliver to Home Savings, at least thirty (30) days prior to the Closing:

(i) an estoppel certificate, substantially in the form attached hereto as Exhibit C, with respect to each Branch Lease under which Seller is a

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lessee or sublessee, and an estoppel certificate, substantially in the form attached hereto as Exhibit C-1, with respect to each Branch Lease under which

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Seller is a lessor or sublessor, provided that such certificates shall be dated not earlier than forty-five (45) days prior to the Closing Date;

(ii) a Consent to Assignment in the form attached hereto as Exhibit D, with respect to each Branch Lease that requires the consent of any

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lessor, lessee, beneficiary, mortgagee, lender or other third party; and

(iii) an unconditional commitment from the Title company to issue the Title Policy (as defined in Section 10.3(k)).

(d) Seller shall, in a timely manner that will allow Seller to deliver the Title Policies (or commitments) described in Section 10.3(k): (i) obtain and cause recordation of any and all memorandums of lease or other documents required by the Title Company to issue the Title Policies, and (ii) obtain and deliver to Home Savings and the Title Company an as-built survey of the real property and improvements comprising each of the Transfer Branches, certified by a licensed surveyor or civil engineer in accordance with the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, showing no encroachments onto such Branch premises by improvements on any adjoining property, and no encroachments of the improvements comprising such Transfer Branch onto any adjoining property or public or private streets.

(e) In the event Seller fails to deliver to Home Savings estoppel certificates, consents to assignments, and commitments to issue the Title Policy as required under Section 5.6(c) at least thirty (30) days prior to the Closing, then Home Savings at its sole option shall have the right to designate the Transfer Branch with respect to which such requirements have not been satisfied as an Excluded Branch pursuant to Section 4.6.

5.7 Notice Regarding Ability to Perform. Seller shall notify Home Savings  
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in writing immediately upon Seller's receipt of notice from any regulatory authority, or Seller's receipt of information, indicating that Seller may not obtain all requisite regulatory consents within the time frame contemplated by this Agreement.

5.8 Conditions to Closing; Consents. Seller shall use its best efforts to  
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accomplish and/or satisfy by the Closing Date all of the conditions to the obligations of Home Savings hereunder within Seller's control. Seller shall use its best efforts to obtain all consents of third parties required to assign the Assumed Contracts, provided that Seller shall not be required to provide any financial accommodations to obtain such consents.

In addition to the foregoing, Seller hereby covenants and agrees as follows, which covenants and agreements shall remain in effect subsequent to the Closing Date:

5.9 Furnishing Information; Further Assurances. Seller shall provide all  
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information, financial statements and documentation as Home Savings shall reasonably request in connection with the transactions contemplated by this Agreement.

5.10 Covenant Not to Compete.  
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(a) For a period of one (1) year commencing as of the Closing Date, neither Seller nor any entity directly or indirectly controlling, controlled by, or under common control with Seller shall: (i) solicit deposits or establish, open, operate, purchase or acquire any temporary or permanent office, agency or branch of whatever nature for the acceptance of deposits including, without limitation, any temporary or permanent offices, agency offices or branches for which an application is pending before a regulatory agency prior to the date of this Agreement, within a two-mile radius of any of the Branches, with the exception of the Westwood Branch for which a one-mile radius shall be the applicable limitation (the "Seller Non-Compete Area"); (ii) use or rely upon, cause or permit any other entity to use or rely upon the name "Fidelity Federal Bank, FSB" or any variant thereof to solicit or accept deposits within a two-mile radius of any of the Branches, with the exception of the Westwood Branch for which a one-mile radius shall be the applicable limitation; or (iii) solicit in any manner deposits

from the deposit account holders whose deposit accounts constitute Deposits, whether or not such deposit account holders are identified by reference to any of the Branches or by the use of general solicitation lists of potential or previous customers utilized by Seller. The foregoing covenants shall not apply (i) to any entity which acquires control of Seller as long as such entity does not operate branches under the name "Fidelity Federal Bank," or (ii) to the purchase, acquisition or operation by Seller of one or more offices or branches of a thrift institution or commercial bank within the Seller Non-Compete Area, if such office or branch is acquired by Seller (x) pursuant to a purchase by Seller of an entire institution or Sellers' merger with or acquisition by an entity with branches in the Seller Non-Compete Area, (y) from the Resolution Trust Corporation or such other entity which may perform the functions currently performed by the Resolution Trust Corporation (acting in its corporate capacity or as conservator or receiver), or (z) in a transaction in which Seller assumes aggregate deposit liabilities of at least \$500 million from a single financial institution and some or all of the deposits acquired thereby are domiciled in one or more offices or branches within the Seller Non-Compete Area. In the event that Seller or its successor acquires an office or branch of a thrift institution or commercial bank within the Seller Non-Compete Area pursuant to clause (ii) of the preceding sentence, Seller hereby grants to Home Savings the exclusive right to acquire from Seller or its successor all, but no less than all, the deposit liabilities, real property, leasehold interests, and any and all other assets (not including loans other than account loans and transaction account loans) and liabilities directly attributable to the office or branch acquired by Seller or its successor, at a price equal to (x) if applicable, the actual premium paid by Seller or its successor for such deposits and the actual purchase price paid for the real estate and personal property, or (y) if such office or branch was acquired without the express payment of a deposit premium, the amount of Core Deposits domiciled at such acquired branch office multiplied by one percent (1.0%), plus the actual purchase price paid for the real estate and personal property. No later than ten (10) days after such an acquisition is consummated, Seller or its successor shall notify Home Savings of such acquisition and shall provide Home Savings with a copy of the agreements and other documents evidencing such transaction. Home Savings shall give notice to Seller or its successor within ten (10) business days of receiving such notice and copies if it intends to exercise the option set forth herein. If such option is exercised, the parties shall use their best efforts to consummate the transfer of the assets and liabilities of the branch or branches as soon as practicable, and the terms of such transfer shall be based, to the extent practicable, upon the terms of Seller's acquisition of such office or branch. If such option is not exercised by Home Savings within such ten (10) business day period, the option shall expire.

(b) For a period of six (6) months following the Closing Date, Seller shall not: (i) lease, sublease, sell, assign or transfer in any manner the premises of any Branch (other than the Transfer Branches) to a thrift institution, commercial bank or other similar financial institution of whatever nature; (ii) enter into a transaction, agreement or waiver with a lessor of any Branch (other than the Transfer Branches) that contemplates, allows or results in a lease or sublease of the type specified in (i) above; or (iii) take or refrain from taking any other action that would permit or result in the operation of any Branch (other than the Transfer Branches) as an office or branch of a thrift institution, commercial bank or other similar financial institution of whatever nature. The limitations set forth in this paragraph shall be applicable to the Santa Monica Branch and the Woodland Hills Branch for a period of one (1) year.

(c) Nothing in this Section 5.10 shall limit the right of Seller to (i) advertise for business from the public generally, (ii) direct random mailings or phonings in accordance with Seller's ordinary direct mail or telemarketing operations, (iii) solicit deposits from customers having accounts with Seller at a location other than the Branches; or (iv) relocate any of Seller's existing offices to a location within on thousand feet of their current location.

(d) The covenants comprising Section 5.10 are referred to herein as the "Covenant Not to Compete." The Covenant Not to Compete has been separately and specifically negotiated by the parties and shall be assigned a separate value to be mutually agreed upon by the parties.

5.11 Records. Upon consummation of the Closing, Seller shall deliver to

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Home Savings all of its files, records, documents, computer records and instruments of every nature (a) necessary or desirable to conduct the business operations of the Branches, including, but not limited to, those relating to the deposit taking activities and customer services provided at the Branches, (b) relating to the Assets purchased and Liabilities assumed by Home Savings pursuant to this Agreement, and (c) reasonably necessary to comply with all applicable laws, regulations, rules and business practices with respect to the Deposits, the Account Loans and the Transaction Account Loans (collectively referred to herein as the "Records"). Notwithstanding the foregoing, following the Closing, Seller shall provide Home Savings with copies of, or reasonable access to, any records as may be retained by Seller relating to any of the Branches that are in the possession or control of Seller and are reasonably necessary or desirable to permit Home Savings or any of its subsidiaries, successors or affiliates to comply with or contest any applicable legal, tax, banking, accounting or regulatory policies or requirements, or any legal or regulatory proceeding thereunder.



5.12 Signs. Notwithstanding, and in addition to, any other provision of

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this Agreement, if prior to the Closing Home Savings determines that the terms of any Branch Lease, statute, law, ordinance, regulation, order or judgment will prevent it from erecting or maintaining replacement signage at any Transfer Branch comparable to Seller's current signage, then at Home Savings' option, Home Savings and Seller shall attempt to agree on a reduced Purchase Price that reflects the reduced value to Home Savings of the remaining signage rights. At Home Savings' option, or if Home Savings and Seller cannot agree upon the appropriate amount of that equitable economic adjustment, Home Savings shall have the right to designate any such Transfer Branch as an Excluded Branch pursuant to Section 4.6 hereof. Seller shall, at its own cost remove any and all interior and exterior signs identifying the Transfer Branches as Seller branches by the Monday following the Closing Date, unless no later than ten (10) days prior to the Closing Date, Home Savings specifies in writing that such signs should not be removed.

5.13 Closing of Branches. Seller shall take all necessary and appropriate

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steps to close the Branches (other than the Transfer Branches) immediately following the Closing and shall bear sole responsibility for complying with and satisfying all laws, rules and regulations applicable to such closings, including without limitation the surrender to the appropriate regulatory authorities of any and all branch licenses and permits and compliance with Section 42 of the FDIA and the Policy Statement of Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision Concerning Branch Closing Notices and Policies, 58 Fed. Reg. 49083 (Sept. 21, 1993); provided, that Seller shall obtain Home Savings' approval of all filings, -----  
notices, and letters to customers prior to the filing, posting, or sending thereof.

## ARTICLE 6

### RECIPROCAL COVENANTS

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6.1 Regulatory Approvals. Home Savings and Seller shall cooperate in

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preparing, submitting, filing, and publishing (as applicable), as expeditiously as possible, all applications, notification and report forms, and notices as may be required by applicable law with respect to the transactions contemplated by this Agreement, including, without limitation, those of the Fed, the OTS, the FDIC, the Federal Trade Commission, the Department of Justice and any other applicable state or federal regulatory agency, and will use their best efforts to obtain such approvals and accomplish such actions as expeditiously as possible. Home Savings and Seller shall provide to each other, for each other's review, all such applications and notices prior to the filing

thereof, provided, that any party's confidential or proprietary information need not be so disclosed.

6.2 Conveyances. Seller shall execute and deliver to Home Savings all

such bills of sale and other documents or instruments of conveyance, transfer or assignment, and Home Savings shall execute and deliver to Seller all such instruments of assumption, as are necessary or appropriate to vest in Home Savings full and complete title to all of the Assets and to subject Home Savings, as of the Closing, to responsibility for the Liabilities assumed hereunder. All of such documents and instruments will be in form and substance reasonably satisfactory to the parties.

6.3 Further Assurances. Seller and Home Savings each shall do all things

reasonably necessary or desirable and within its control to effect the consummation of the transactions contemplated hereby, and at any time, and from time to time, after the Closing Date shall, upon the request of the other, do or cause to be done such further acts and execute such documents as may be necessary or desirable to vest in Home Savings the Assets intended to be sold, transferred and assigned, and to evidence Home Savings' assumption of the Liabilities pursuant to the provisions of this Agreement, including, among others, obtaining all necessary consents and substitutions necessary to substitute Home Savings as trustee for all retirement deposit accounts, as the case may be, that are included in the Deposits.

6.4 Matters Concerning Employees.

(a) No Transfer of Employees; Indemnification by Seller for

Employees. This Agreement is intended to result solely in the transfer of the

Assets and the Liabilities associated with the Branches to Home Savings in accordance with the terms of this Agreement. No transfer of employment of any employee, representative or agent of Seller associated with any of the Branches or otherwise is intended by the parties. Home Savings shall not be required or obligated under this Agreement to hire any employees of Seller, and Seller shall not make any representations to any of its employees regarding employment by Home Savings. Seller shall remain solely responsible for its employees, representatives and agents at the Branches, and agrees to indemnify Home Savings against any and all claims, losses, costs and damages of any nature whatsoever, including, without limitation, court costs, costs of investigation, and attorney's fees, arising out of or relating in any way to any claims made by such employees, representatives or agents against Home Savings, arising out of or relating in any way to their employment by, or service to, Seller or their termination by Seller.

(b) Hiring of Employees by Home Savings. Schedule 6.4 sets forth a

list of all persons employed by Seller at each of the Branches as of the date hereof (each an "Employee" and

collectively the "Employees"), including each Employee's title and position. After notice to Seller, Home Savings may contact and interview any of the Employees, inspect their personnel records (upon receipt of permission from the Employee), and solicit them to become employees of Home Savings as of the Closing Date. Seller shall cooperate with and assist Home Savings in the interview and evaluation process by providing access to or copies of such information, personnel records, and evaluations concerning the Employees as Home Savings may reasonably request, provided that the subject Employee has consented thereto. No later than thirty (30) days prior to the Closing Date, Home Savings shall provide to Seller a list of those Employees whom Home Savings at its sole option has elected to hire as its employees as of the Closing Date (the "Retained Employees").

(c) Seller's Benefit Plans. Home Savings shall have no obligation or liability to compensate any Retained Employees for benefits of any kind earned, accrued, promised, or provided to Retained Employees as employees of Seller.

6.5 Confidentiality. Except to the extent disclosure is required by law, or in response to any governmental or regulatory authority or in connection with any litigation, Home Savings shall maintain the confidentiality of all information obtained from Seller that is not publicly available and shall use such information only for purposes reasonably related to this Agreement and the transactions contemplated hereby. If the parties terminate this Agreement, each of the parties hereto agrees to use all reasonable efforts to return promptly upon request all documents received from the other party that contain or disclose information subject to this paragraph.

6.6 Publicity. Until consummation of the Closing, Home Savings and Seller shall coordinate with each other in advance as to the content of any communication intended for dissemination to the public or to their respective employees and as to the form and content of any application made to any regulatory authority, or similar agency, that relates to the transactions contemplated hereby. Neither party shall disseminate any such communication without the prior approval of the other, which approval shall not be unreasonably withheld or delayed.

6.7 Tax Reporting. Neither Home Savings nor Seller will take a position with any federal, state or local taxing authority contrary to any of the terms or provisions of this Agreement, including, but not limited to, the allocations of value to each of the particular Assets and Liabilities, including, without limitation, to the Covenant Not to Compete.

6.8 Interest Reporting. Seller shall report from January 1, 1994 through the Closing Date, and Home Savings shall

report from the Closing Date through December 31, 1994, all interest credited to, interest premiums paid on, interest withheld from and early withdrawal penalties charged to the Deposits. Such reports shall be made to the holders of Deposit accounts and to the applicable federal and state regulatory agencies.

6.9 Withholding. On or before the Closing Date, Seller shall deliver to

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Home Savings a list of all customers for whom it has received "B" notices (TINs do not match) and "C" notices (under reporting/IRS imposed withholding) issued by the IRS relating to the Deposits. Following the Closing Date, Seller shall immediately deliver to Home Savings (i) any and all similar notices received from the IRS regarding any of the Deposits and (ii) all notices received from the IRS releasing withholding restrictions on any of the Deposits. Any amounts required by any governmental agency to be withheld from any of the Deposits (the "Withholding Obligations") or any penalties imposed by any governmental agency will be handled as follows:

(a) Any Withholding Obligations required to be remitted to the appropriate governmental agency on or prior to the Closing Date will be withheld and remitted by Seller, and any other sums withheld by Seller pursuant to Withholding Obligations prior to the Closing Date shall also be remitted by Seller to the appropriate governmental agency on or prior to the time they are due;

(b) Any Withholding Obligations required to be remitted to the appropriate governmental agency after the Closing Date with respect to Withholding Obligations after the Closing Date and not withheld as set forth in Section 6.9(a) shall be withheld and remitted by Home Savings. Within two (2) days of receipt of any such notice by Seller, Seller shall notify Home Savings and Home Savings shall comply with the notification requirements;

(c) Any penalties described on "B" notices received from the IRS or any similar penalties that relate to the Deposit accounts will be paid by Seller promptly upon receipt of the notice, providing such penalty assessment resulted from Seller's acts, policies or omissions, and any efforts to reduce such penalties shall be the responsibility of Seller; and

(d) Any penalties assessed as a result of information missing from information filings regarding the Deposits, including, without limitation, 1099 forms, shall be paid by Seller promptly upon receipt of the notice providing such penalty assessment resulting from Seller's acts, policies or omissions, and any efforts to reduce such penalties shall be the responsibility of Seller.

6.10 Retirement Accounts. Upon and following consummation of the Closing,

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Home Savings shall, with respect to individual retirement accounts and KEOGH accounts assumed by Home Savings and included within the Deposits, (i) assume and perform all of the fiduciary duties of Seller arising on or after the Closing Date that arise out of such accounts, and (ii) succeed to the fiduciary relationships of Seller arising out of such accounts as fully and to the same extent as if Home Savings had originally acquired, incurred, or entered into such fiduciary relationships as of the Closing Date. No later than the Closing Date, the parties will enter into a retirement account transfer agreement in the form of Exhibit L hereto to effectuate the transfer of such retirement accounts.  
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ARTICLE 7

CONDITIONS TO OBLIGATIONS OF HOME SAVINGS  
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The obligations of Home Savings to consummate the transactions hereunder are subject to the satisfaction on or before the Closing Date of the following conditions:

7.1 Corporate Approval. The execution, delivery and performance of this

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Agreement shall have been duly authorized by all necessary corporate action of Seller.

7.2 Absence of Litigation. No action or proceeding shall have been

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instituted or threatened on or before the Closing Date pertaining to the transactions contemplated hereby that, in the reasonable opinion of Home Savings, would materially and adversely affect the transactions contemplated herein.

7.3 Access to Information. Seller shall have permitted Home Savings and

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its authorized representatives and agents to have reasonable access, after the date of execution hereof, to those properties, assets and records of Seller as are relevant to this Agreement.

7.4 Consents of Third Parties. Seller shall have obtained all consents

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of third parties, in form and substance reasonably satisfactory to Home Savings, necessary to transfer to Home Savings the Assets and the Liabilities, including, without limitation, the Assumed Contracts (except those consents waived by Home Savings) and the Branch Leases to be assumed by Home Savings as contemplated by this Agreement.

7.5 Conditions Performed. All of the terms, covenants and conditions of

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this Agreement to be complied with and performed by Seller on or before the Closing Date shall have been duly complied with and performed in all material respects, or Home Savings shall have waived such compliance or performance, and all

documents to be delivered or actions to be taken by Seller pursuant to Sections 10.2 and 10.3 shall have been delivered or performed.

7.6 Representations. All of the representations and warranties made by

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Seller herein shall be true and correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date, except that the representations and warranties made regarding Schedules 2.6, 2.7, 2.8, 2.9 and 2.10 shall be true and correct as of  
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the date of, and with respect to, such Schedules as updated and delivered at the Closing.

7.7 Documentation. The form and substance of all instruments of transfer,

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certificates and other documents required to be delivered pursuant to this Agreement by Seller shall be reasonably satisfactory in all respects to Home Savings.

7.8 No Material Adverse Change. No material adverse change shall have

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occurred affecting the use or occupancy of any of the Transfer Branches (including the Option Branch if designated as a Transfer Branch) as currently used or affecting the Assets or the Liabilities.

## ARTICLE 8

### CONDITIONS TO OBLIGATIONS OF SELLER

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The obligations of Seller to consummate the transactions hereunder are subject to the satisfaction on or before the Closing Date of the following conditions:

8.1 Corporate Approval. The execution, delivery and performance of this

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Agreement shall have been duly authorized and approved by all necessary corporate action of Home Savings.

8.2 Absence of Litigation. No action or proceeding shall have been

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instituted or threatened on or before the Closing pertaining to the transactions contemplated hereby that, in the reasonable opinion of Seller, would materially and adversely affect the transactions contemplated herein.

8.3 Conditions Performed. All of the terms, covenants and conditions of

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this Agreement to be complied with and performed by Home Savings on or before the Closing shall have been duly complied with and performed in all material respects, or Seller shall have waived such compliance or performance, and all documents to be delivered or actions to be taken by Home Savings pursuant to Section 10.4 shall have been delivered or performed.

8.4 Representations. All the representations and warranties made by Home

Savings herein shall be true and correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date.

8.5 Documentation. The form and substance of all instruments of

assumption, certificates and other documents delivered pursuant to this Agreement by Home Savings shall be reasonably satisfactory in all respects to Seller.

ARTICLE 9

CONDITIONS TO OBLIGATIONS OF BOTH PARTIES

The obligations of both parties to this Agreement to consummate the transactions hereunder are subject to the satisfaction on or before the Closing Date of each of the following conditions:

9.1 Governmental Actions. Neither the Department of Justice, the Federal

Trade Commission nor any other agency of the United States shall have issued any order or taken or threatened to take any action that would or could have the effect of preventing the consummation of the transactions contemplated by this Agreement or asserting any liability as a result of such transactions. No court, governmental agency, or other authority shall have instituted any action or proceeding or issued any order, decree or judgment to set aside, restrain, enjoin, or prohibit the transactions contemplated by this Agreement or to assert any material liability in connection herewith, and in the reasonable opinion of Seller and Home Savings no such action, proceeding, order, decree, or judgment shall be imminent.

9.2 Governmental Approvals. To the extent required by applicable law or

regulation, the Fed, the OTS, the FDIC and such other state or federal agencies whose approval of the transactions contemplated by this Agreement is so required shall have approved or authorized all of the transactions contemplated by this Agreement. All such approvals required to be obtained by Seller or Home Savings shall have been granted without the imposition of conditions that are deemed by the affected party to be materially burdensome. All other statutory or regulatory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been satisfied and all other required governmental consents and approvals shall have been obtained.

ARTICLE 10

THE CLOSING

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10.1 Time and Place of Closing; Close of Business. The consummation of the

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transactions provided for herein will take place in a mutually acceptable manner and on a mutually acceptable day and place (the "Closing" or "Closing Date"), which, unless the parties otherwise agree, shall be on a Friday no later than the last business day of the month immediately following the month in which all required regulatory approvals have been received, but in no event later than October 30, 1994. For all purposes herein, the "close of business" on the Closing Date shall be the time at which the Branches are closed to the public.

10.2 Payment Due at Closing.

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(a) Definitions:

(i) "Advance Safe Deposit Rentals" means the aggregate amount of rent for the use of safe deposit boxes located at the Branches paid in advance to Seller for any period following the Closing Date, which amount shall be mutually agreed upon by Seller and Home Savings prior to the Closing.

(ii) "FDIC Insurance Premium" means the aggregate amount of insurance premiums paid by Seller to the FDIC for deposit insurance with respect to the Deposits for any period following the Closing Date, which amount shall not exceed the amount Home Savings would have been required to pay to the FDIC for the Deposits if Home Savings had originated such deposits as of the Closing Date, and which amount shall be mutually agreed upon by Seller and Home Savings prior to the Closing.

(iii) "Net Lease Deposits" means (a) the aggregate amount of deposits paid by Seller as lessee pursuant to Branch Leases, as indicated on the estoppel certificates delivered to Home Savings pursuant to Section 10.3(a), net of any amounts payable by Seller to any lessor or sublessor as of the Closing or upon termination of such leases, less (b) the aggregate amount of deposits held by Seller as lessor or sublessor pursuant to Branch Leases, as indicated on estoppel certificates delivered to Home Savings pursuant to Section 10.3(a).

(iv) "Preliminary Purchase Price" means the Purchase Price calculated pursuant to Section 1.4 of this Agreement in reliance upon the updated Schedules 2.6, 2.7 and 2.8 and Schedule 1.4 required to be delivered to Home Savings at the Closing.



(b) Seller shall pay to Home Savings at the Closing an amount (the "Cash Payment") in United States dollars equal to one hundred percent (100%) of the aggregate amount of the Deposits as reflected on the updated Schedule 2.6

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delivered to Home Savings at the Closing pursuant to Section 4.2 of this Agreement, minus the Preliminary Purchase Price, minus the Net Lease Deposits, minus the FDIC Insurance Premium, plus the Advance Safe Deposit Rentals, plus or minus the net taxes and expenses (to the extent such amounts are discernible at Closing) to be paid by Home Savings or Seller pursuant to Section 14.3. Seller shall prepare and deliver to Home Savings at the Closing a statement (the "Preliminary Settlement Statement") supported by appropriate exhibits, substantially in the form attached hereto as Exhibit B, showing the computation

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of the Cash Payment. The Cash Payment shall be made to Home Savings by wire transfer in immediately available funds received no later than 12:00 noon Pacific time on the Closing Date.

10.3 Closing Documents to be Delivered or Actions to be Taken by Seller.  
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At least thirty (30) days prior to the Closing, Seller shall:

(a) Deliver to Home Savings an executed Lessor's Estoppel Certificate, in the form attached hereto as Exhibit C, with respect to each  
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Branch Lease to which Seller is a lessee or sublessee, and an executed Lessee's Estoppel Certificate, in the form attached hereto as Exhibit C-1, with respect  
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to each Branch Lease to which Seller is a lessor or sublessor, provided that such certificates shall be dated no more than forty-five (45) days prior to the Closing Date;

(b) Deliver to Home Savings unconditional commitment(s) to issue the Title Policies;

(c) Deliver to Home Savings an executed Consent to Assignment in the form attached hereto as Exhibit D with respect to each Branch Lease that  
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requires the consent of any party to the assignment thereof, provided that such consents shall be dated no more than forty-five (45) days prior to the Closing Date;

(d) Deliver to Home Savings the recorded documents, nondisturbance and attornment agreements, and surveys referred to in Sections 2.10 and 5.6(d); and

(e) Record in the appropriate governmental office a memorandum of each Branch Lease to which Seller is a lessee or sublessee, as set forth in Schedule 2.10.  
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At least three (3) business days prior to the Closing, Seller shall:

(f) Execute and deliver to the Title Company in escrow for the benefit of Home Savings a duly acknowledged Lessee's Assignment and Assumption Agreement in the form attached hereto as Exhibit E with respect to each Branch

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Lease associated with the Rancho Park Branch to which Seller is a lessee or sublessee in recordable form so as to permit the issuance of a policy of title insurance with respect to such Branch Lease, and deliver to Home Savings an executed Lessor's Assignment and Assumption Agreement in the form attached hereto as Exhibit E-1 with respect to each Branch Lease to which Seller is a  
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lessor or sublessor; and

At the Closing, Seller shall:

(g) Deliver to Home Savings updated Schedules 2.6, 2.7, 2.8, 2.9,  
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2.10, 2.25 and Schedule 1.4;  
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(h) Deliver to Home Savings the Preliminary Settlement Statement and exhibits thereto;

(i) Deliver by 12:00 p.m. Pacific Time the Cash Payment by wire transfer in immediately available funds to an account designated by Home Savings;

(j) Cause to be delivered to Home Savings, ALTA form leasehold extended coverage title policies issued by the Title Company with respect to each Branch Lease associated with the Rancho Park Branch to which Seller is a lessee or sublessee, or an unconditional commitment to issue such title policies dated as of the Closing Date promptly following the Closing, insuring Home Savings' leasehold interest under such Branch Lease in the amounts indicated on Exhibit F hereto (the "Title Policies"), subject in the case if each Title

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Policy, only to (a) the lien for current taxes not yet due and payable, and (b) exceptions approved by Home Savings in writing (the "Permitted Exceptions"); provided, however, that (x) the boundary and survey exceptions shall be deleted

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to the maximum extent permitted under applicable title insurance regulations, and (y) the exception to the lien for taxes shall be limited to the tax year in which the Closing occurs and subsequent years and shall state that such taxes are not yet due and payable;

(k) Execute and deliver to Home Savings a Bill of Sale and Assignment in the form attached hereto as Exhibit G;

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(l) Deliver to Home Savings a General Assignment in the form attached hereto as Exhibit H;

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(m) Deliver to Home Savings all consents necessary for the assignment of the Assumed Contracts;

(n) Deliver to Home Savings a certificate of the President of Seller, or of another officer acceptable to Home Savings, dated as of the Closing Date, that the conditions to Home Savings obligations set forth in Sections 7.1, 7.2, 7.4, 7.5, 7.6, and 7.8 have been met;

(o) Execute and deliver a certificate of non-foreign status in the form attached hereto as Exhibit I;  
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(p) Deliver to Home Savings possession of the Assets;

(q) Deliver to Home Savings such safe deposit and safekeeping files and records pertaining to the Safe Deposit Business as exist and are available, together with the contents of the safe deposit boxes maintained at the Branches, as the same exist as of the close of business on the Closing Date;

(r) Deliver to Home Savings originally executed copies of (i) the Branch Leases, together with copies of all documents and correspondence relevant to Home Savings' obligations under the Branch Leases, (ii) the Assumed Contracts, and (iii) all other documents not of record related to the Branch Leases or the Assumed Contracts that Home Savings will be bound by, or a party to, as a result of the consummation of the transactions contemplated by this Agreement;

(s) Cause to be delivered to Home Savings an opinion of counsel to Seller substantially in the form attached hereto as Exhibit J;  
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(t) Execute and deliver to Home Savings an Assumption Agreement in the form attached hereto as Exhibit K;  
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(u) Execute and deliver to Home Savings a transfer agreement substantially in the form attached hereto as Exhibit L, relating to the transfer of certain retirement accounts to Home Savings from Seller; and  
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(v) Deliver or cause to be delivered to Home Savings all other documents and instruments necessary to transfer to Home Savings all of Seller's right, title and interest in and to the Assets and the Liabilities.

10.4 Closing Documents to be Delivered or Actions to be Taken by  
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Home Savings.  
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At least three (3) business days prior to the Closing, Home Savings shall:

(a) Execute and deliver to the Title Company in escrow for the benefit of Seller an executed Lessee's Assignment and Assumption Agreement in the form attached hereto as Exhibit E  
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with respect to each Branch Lease to which Seller is a lessee or sublessee.

At the Closing, Home Savings shall:

(b) Deliver a certificate of a Senior Vice President of Home Savings, or of another officer acceptable to Seller, dated as of the Closing Date, that the conditions to Seller's obligations set forth in Sections 8.1, 8.2, 8.3, and 8.4 have been met;

(c) Cause to be delivered to Seller an opinion of counsel to Home Savings substantially in the form attached hereto as Exhibit M and an opinion of in-house counsel substantially in the form attached hereto as Exhibit M-1;

(d) Execute and deliver to Seller an Assumption Agreement in the form attached hereto as Exhibit K;

(e) Execute and deliver to Seller a transfer agreement substantially in the form attached hereto as Exhibit L, relating to the transfer of certain retirement accounts to Home Savings from Seller; and

(f) Deliver or cause to be delivered to Seller all other documents and instruments necessary to transfer to Home Savings all of Seller's right, title and interest in and to the Assets and the Liabilities.

10.5 Post Closing Adjustments.

(a) As soon as reasonably practicable after the Closing Date, but no later than five (5) business days thereafter, Seller shall provide Home Savings with: (i) a final Schedule 2.7 that shall accurately reflect the Net Book Value of each item of Personal Property calculated as of the close of business on the Closing Date; (ii) final Schedules 2.6 and 2.8 that shall accurately reflect the related balances as shown on the financial records of Seller as of the close of business on the Closing Date; and (iii) a final Schedule 1.4 that shall accurately reflect the amount of Cash on Hand as of the close of business on the Closing Date, which Schedule shall be prepared by Seller based upon a cash count to be mutually conducted by Seller and Home Savings at the close of business on the Closing Date. The Chief Financial Officer of Seller shall deliver with the final Schedules a certificate in the form attached hereto as Exhibit N. Home Savings shall have the right to review any and all documents (and to interview any and all Seller personnel) necessary or desirable to confirm the accuracy of final Schedules 1.4, 2.6, 2.7, and 2.8.

(b) As soon as reasonably practicable after the Closing Date, but no later than five (5) business days thereafter, Seller shall prepare and deliver to Home Savings a final settlement statement (the "Final Settlement Statement"), substantially in the form attached hereto as Exhibit O, which shall show the

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calculation of the final purchase price based on the final Schedules delivered pursuant to Section 10.5(a). Upon delivery of the Final Settlement Statement, Home Savings or Seller, as the case may be, shall promptly make such payments in the amount and manner as are specified in Section 10.5(c) hereof.

(c) If the purchase price amount shown on the Final Settlement Statement (the "Final Payment Amount") is different from the Cash Payment, then a payment shall be made in the following manner; if the Cash Payment shall have been greater than the Final Payment Amount, Home Savings shall refund to Seller the difference between such amounts; if the Cash Payment shall have been less than the Final Payment Amount, Seller shall pay to Home Savings the difference between such amounts. Such payment shall be made promptly by wire transfer in immediately available collected funds, together with interest thereon for the number of days from and including the Closing Date to such settlement date, but excluding such settlement date, at the rate per annum equal to the average over such period of the average of the daily high and low rates for federal funds on each business day during such period, as such rates are published in the Western Edition of the Wall Street Journal, computed in the basis of a 365-day year. Payments received after 12:00 p.m. Pacific time on the Settlement Date shall be deemed to have been paid on the next business day, and the remittance shall bear interest, as calculated pursuant to this Section, for such extra day or days.

#### ARTICLE 11

##### TRANSFER OF DEPOSIT ACCOUNTS

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11.1 Notices. Each of Seller and Home Savings shall obtain the prior

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approval of the other of its written notification to Deposit holders of the transfer of the Deposits from Seller to Home Savings. Neither Seller nor Home Savings shall unreasonably withhold such approval. Any such notification shall be made no later than five (5) days after all regulatory approvals have been received.

11.2 Certain Obligations for Retained Accounts. Seller shall hold for the

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applicable period required by law all records relating to all deposit accounts associated with the Branches that are not assumed by Home Savings pursuant to this Agreement, including, among other, all deposit accounts closed prior to the Closing ("Retained Accounts"). Seller shall remain responsible for administration of the Retained Accounts, including the

responsibility, among others, for the payment of interest income, documentation and compliance with all applicable laws and regulations.

11.3 Post Closing Reconciliation.  
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(a) Returned Items. Any items that were (i) credited for deposit to,  
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or (ii) cashed against, an account at Seller's Branches prior to the Closing and that are returned unpaid after the Closing and within the guidelines specified under "Regulation CC" of the Federal Reserve System ("Returned Items") will be handled as follows:

(i) If Home Savings' bank account is charged for the Returned Item, Home Savings will use its best efforts to obtain reimbursement from the account to which, or from the party to whom, the item was credited; provided that if Seller receives notification of a large Returned Item (\$2,500 or more) before 2:00 p.m. on any business day, Seller will notify Home Savings of such Returned Item as soon as practicably possible on the same day notification is received. If there are sufficient funds in the account to which such Returned Item was credited or any other accounts on deposit with Home Savings standing in the name of the party liable for such Returned Item, upon proper identification of such party, Home Savings will debit any or all of such accounts an amount equal in the aggregate to the Returned Items, provided that such debit is permissible under Home Savings' agreement with such party and applicable laws and regulations. If those accounts which may be debited do not contain funds sufficient to reimburse Home Savings fully (for reasons other than Home Savings' breach of Section 11.3(d), Seller will, upon notice from Home Savings, reimburse Home Savings to the extent sufficient funds are available and immediately repay to Home Savings the balance of the Returned Item not reimbursed and Home Savings will assign the item to Seller for collection.

(ii) If Seller's bank account is charged for the Returned Item and if there are sufficient funds in the account to which such Returned Item was credited or any other accounts on deposit with Home Savings standing in the name of the party liable for such Returned Item, upon proper identification of such party, Seller shall immediately notify Home Savings, and Home Savings will debit any or all of such accounts an amount equal in the aggregate to the Returned Item, provided that such debit is permissible under Home Savings' agreement with such party and applicable laws and regulations and shall repay that amount to Seller. If there are not sufficient funds in the accounts which may be debited (for reasons other than Home Savings' breach of Section 11.3(d)), Home Savings will have no obligation to repay Seller unless and until Home Savings obtains reimbursement from the party liable for the Returned Item.

(b) ACH Transactions. Each party shall use its best efforts to

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transfer all ACH arrangements as soon as practicable after the Closing Date. At least thirty (30) day prior to the Closing Date, Seller will deliver to Home Savings all records and information necessary to administer such arrangements. After the Closing Date, Seller will use its best efforts to telecopy or deliver to Home Savings, at the address Home Savings may from time to time designate, (i) by 12:00 p.m. of each business day, a summary of ACH items affecting the deposits transferred during the prior business day, including claim number, suffix (if applicable), source name, trace ID, Company ID, client name and effective date, and (ii) by 3:00 p.m. of each business day, a list of ACH returns received on such business day. Home Savings shall have no obligation to continue ACH or recurring debit arrangements that were originated or administered by Seller, and Seller shall terminate such arrangements on or prior to the Closing Date. Seller's obligation to deliver such summaries and forward such ACH items shall continue for 150 days after the Closing Date. Thereafter, Seller shall return such ACH items to the originator. On a daily basis, the parties will agree on the net amount of ACH items transferred (after each party nets items against returns received) and the party with the net credit will remit the difference, on the same day, by immediately available funds, all ACH item funds then known. Settlement shall be by file or transmission date information.

(c) Checking Accounts. On a daily basis, Seller, at its sole expense,

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will outsort all Branch checks received by it drawn on accounts assumed by Home Savings and prepare them for delivery to Home Savings' service center. Home Savings accepts full responsibility to either pay the items or return them in accordance with the customer agreement and the California Uniform Commercial Code and all applicable federal laws and regulations. Seller's obligation to outsort and deliver such Branch checks shall continue for ninety (90) days after the Closing Date. After the 90-day period Seller will stop accepting such items and will return items marked "Refer to Maker." Seller will give Home Savings a daily accounting of debits to its clearing account. On a daily basis, the parties will agree on the net amount of inclearing items transferred and the party with the net credit will remit the difference, on the same day, by immediately available funds to the other party. Within ten (10) business days following the Closing Date, Home Savings, at its sole expense, will mail to holders of those Deposits acquired from Seller which may be accessed by checks, new checks MICR encoded with Home Savings' routing and transit numbers and Home Savings' customer identification number.

(d) Holds. Holds that have been placed by Seller on particular

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accounts or on individual checks, drafts or other instruments will be continued by Home Savings under the same

terms. Seller will deliver to Home Savings at the Closing a schedule of such holds.

(e) Incoming Deposits and Mail. In the event Seller receives after

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the Closing Date, a deposit, payment or mail with respect to the Assets or Deposits transferred to Home Savings, it shall, at its expense, mail such to Home Savings within one (1) business day of receipt thereof at the address Home Savings may from time to time designate. Legal process received in regard to such Assets or Deposits shall not be forwarded.

11.4 Data Processing. The parties agree to cooperate with each other to

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ensure the orderly transfer of all applicable data tapes and processing information, and to facilitate an electronic and systematic conversion of all applicable data regarding Deposits, Accounts Loans, Transaction Account Loans, ATM cards and collection accounts, and the parties shall share equally the costs associated with the transfer of any tapes and information and the conversion of data. Within ten (10) business days of the date of this Agreement, the parties shall exchange all data information necessary for such conversion processing and shall provide the initial data processing pre-conversion file layout and product definitions. No later than forty-five (45) days prior to the Closing Date, the parties shall provide the final data processing pre-conversion file packages to each other and shall provide any and all additional data processing information added to the system subsequent to the preparation of the final pre-conversion tapes on a weekly basis. Each party shall use its best efforts to provide to the other party as soon as practicable, but no later than 12:00 p.m. on the day after the closing Date, two (2) sets of final data processing conversion file packages.

11.5 Safe Deposit Boxes. On or before the date that is twenty-one (21) days

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prior to the Closing Date, Seller shall notify by letter renters of safe deposit boxes located at the Branches of the disposition of their safe deposit boxes as of the Closing Date. In the event of removal of such boxes to a new location, the parties agree to cooperate in the safe and lawful transfer of such occupied boxes. The costs and expenses incurred in the transfer and security of such boxes will be paid by Seller.

11.6 Taxpayer Information. Seller shall deliver to Home Savings within five

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(5) business days after the Closing Date (i) taxpayer identification numbers (or records of appropriate exemptions) for all holders of Deposit accounts and (ii) all other information in Seller's possession or reasonably available to Seller required by applicable law to be provided to the IRS and/or account holders with respect to the Assets and Liabilities transferred. Seller hereby certifies that such information, when



delivered, shall accurately reflect the information provided by Seller's customers.

11.7 Card Processing. Seller will void on and as of the Closing Date all

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(i) ATM access cards issued by it to customers of the Branches who will not have ATM-accessible accounts with Seller after the Closing Date, (ii) debit cards issued by it to customers of the Branches who will not have debit card-accessible accounts with Seller after the Closing Date, and (iii) check guarantee cards issued by it to customers of the Branches who will not have checking accounts with Seller after the Closing Date.

Seller agrees to exchange the necessary data and tapes required, prior to the Closing Date, to accommodate the processing of ATM cards, which may be issued prior to the Closing Date. Furthermore, both parties agree to settle within two (2) business days of the ATM transaction (i) any and all rejected ATM transactions processed after the Closing Date, and (ii) any and all ATM transactions processed while the ATM network could not communicate with Seller's main host, and the total sum of such transactions shall be remitted to Seller on the same date the transactions are settled.

Any claim submitted under "Regulation E" of the Federal Reserve System, for transactions processed prior to the Closing Date on Deposits transferred shall be settled as follows:

(a) If such claim is submitted to Seller, Seller shall process the claim under the guidelines specified in "Regulation E," and if a reimbursement to the customer is determined necessary, Seller shall directly reimburse the customer; and

(b) If the claim is submitted to Home Savings, Home Savings shall process the claim under the guidelines specified in "Regulation E," and if a reimbursement to the customer is determined necessary, Home Savings shall directly reimburse the customer and notify Seller of such reimbursement. Seller shall remit, by wire transfer or other immediately available funds, an amount equal to the reimbursement paid by Home Savings to the customer.

Such settlement shall continue for ninety (90) days following the Closing Date. All claims submitted after such ninety (90) day period shall be returned by Seller to the originator of the claim.

ARTICLE 12

TERMINATION

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12.1 Events of Termination. This Agreement shall be terminable and, if so

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terminated, be of no further force or effect between the parties hereto, except as to any liability for breach of any duty, representation, warranty or obligation arising prior to the date of termination, upon the occurrence of any of the following events:

(a) By mutual written consent of Seller and Home Savings;

(b) By Seller, if any of the conditions set forth in Article 8 or in Article 9 have not been met by October 30, 1994, unless the failure to meet such conditions does not constitute a material breach by Home Savings of this Agreement;

(c) By Home Savings, if any of the conditions set forth in Article 7 or in Article 9 have not been met by October 30, 1994, unless the failure to meet such conditions does not constitute a material breach by Seller of this Agreement;

(d) By Home Savings, if it discovers information or conditions that are, individually or in the aggregate, materially and adversely different from the information and conditions contained in this Agreement, including the representations and warranties set forth in Article 2 and in the original and/or updated Schedules hereto, provided, however, that Seller shall be given notice -----  
and the opportunity to remedy the defective condition in accordance with the provisions of Article 4 of this Agreement;

(e) By Home Savings, if there is a material adverse change in the condition or value of the Branches, the Assets or the Liabilities, including, without limitation, a decline in excess of fifteen percent (15%) of the aggregate amount of the Deposits domiciled at the Branches from the date of this Agreement;

(f) By either party, if the other party has failed to disclose in writing pursuant to Section 2.14 and 5.7 or Section 3.6, as the case may be, facts known to it that could have an adverse effect on its ability to obtain all requisite regulatory consents or to perform its obligations under this Agreement;

(g) By either party, if a representation or warranty of the other party is or becomes false or inaccurate or if the other party fails to comply with a covenant in a timely manner,

provided that such breach is material to the value or condition of the Branches, the Assets or the Liabilities or such breach has a material impact on the other party's ability to consummate the transactions contemplated hereby;

(h) By either party, (i) if the Fed, the OTS, the FDIC or any other governmental agency having jurisdiction over the transactions contemplated by this Agreement notifies Seller or Home Savings in writing that by its final determination it will refuse to grant an approval or consent to any material element of the transactions;

(i) By Home Savings, if it reasonably determines that any of the Transfer Branches is (i) threatened with condemnation, (ii) the subject of legal proceedings commenced under the power of eminent domain, (iii) subject to any zoning or other order, limitation or restriction that could have a material adverse effect on the use of such Branch as a savings and loan branch office, or (iv) damaged or destroyed by fire, earthquake, flood, or other casualty.

12.2 Manner of Termination. If a party desires to terminate this Agreement pursuant to any right under this Article, such termination shall be ineffective unless communicated in writing to the other party. Notwithstanding anything to the contrary herein contained, neither party hereto shall have the right to terminate this Agreement on account of its own breach or any immaterial breach by the other party.

### ARTICLE 13

#### INDEMNIFICATION

13.1 Indemnification by Both Parties. Home Savings and Seller mutually agree to indemnify and hold each other harmless from, and to reimburse each other promptly for, any and all losses, liabilities, damages, remediation costs, expenses and other costs (including broker's and finder's fees, commissions, financial advisory fees, court costs, costs of investigation and reasonable attorney's fees) ("Losses") that one party may incur or suffer as the result of the untruth, inaccuracy, or breach of any representation, warranty, agreement, or covenant made by the other party herein.

#### 13.2 Indemnification by Seller.

(a) Seller shall indemnify, hold harmless and defend Home Savings from and against any and all Losses arising out of any actions, suits, or other proceedings, claims or demands ("Actions") commenced prior to or after the Closing, which arise out of or in any way relate to the operations at any of the

Branches prior to the Closing, including, without limitation, Actions in any way related to or arising out of (i) the physical condition of (or the presence of Hazardous Substances at) any Branch on or prior to the Closing, (ii) information reporting, backup withholding, customer certification, consumer disclosure or other administrative practices at any of the Branches, (iii) the administration of the Deposits, Account Loans or Transaction Account Loans prior to the Closing, (iv) the Personal Property, Real Property, Assumed Contracts, Branch Leases, Records, or Safe Deposit Business, (v) the fiduciary duties of Seller with respect to the individual retirement accounts assumed by Home Savings or included within the Deposits, or (vi) any deposit liability not fully and accurately reflected on the final Schedule 2.6.

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(b) The Losses indemnified in accordance with Section 13.2(a) shall include, but not be limited to, Losses arising out of or in connection with any claim of or liability for:

(i) any employee or former employee of Seller in connection with any employee benefit plan, welfare plan or any employment practice of Seller;

(ii) taxes relating to the Assets or the Liabilities attributable to periods prior to the Closing, except as specifically provided herein and including any and all penalties and/or interest on taxes for such periods; or

(iii) any violation or alleged violation of any law, ordinance, rule or regulation prior to the Closing Date, relating to any of the Assets transferred to Home Savings or any of the Liabilities assumed by Home Savings.

(c) Seller shall further indemnify, hold harmless and defend Home Savings against any and all information reporting penalties assessed against Home Savings for periods before, on or after the Closing Date as a result of customer deposit or account information relating to the Deposits transferred to Home Savings which are uncertified, incorrect, invalid, or missing as of the Closing or for which the "reasonable cause" exception (as defined in IRC Sections 6721 to 6724 and the regulations thereunder) is not available.

13.3 Indemnification by Home Savings. Home Savings shall indemnify, hold

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harmless and defend Seller from and against any and all Losses arising out of any Actions commenced after the Closing that arise out of or are in any way related to (i) the operation of any of the Branches or the administration of the Deposits, Account Loans, or Transaction Account Loans by Home Savings subsequent to the Closing, insofar as the basis for such Action arises subsequent to the Closing, (ii) the Personal Property, Real Property, Assumed Contracts, Records, or Safe

Deposit Business, insofar as the basis for such Action arises subsequent to the Closing, or (iii) the fiduciary duties of Home Savings arising subsequent to the Closing with respect to the individual retirement accounts assumed by Home Saving or included within the Deposits.

ARTICLE 14

MISCELLANEOUS

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14.1 Survival. The representations and warranties of Seller set forth  
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herein shall survive the Closing and any investigation by Home Savings.

14.2 Notices. Any notice or other communication required or permitted  
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hereunder shall be sufficiently given if sent by registered, certified or first class United States mail, postage prepaid; by overnight courier guaranteeing next day delivery; or by hand delivery, addressed as follows:

If to Home Savings:

Corporate Research Department  
Home Savings of America, FSB  
4900 Rivergrade Road  
Irwindale, California 91706

Attention: Verne R. Kline  
Senior Vice President

With copies to:

Legal Department  
Home Savings of America, FSB  
4900 Rivergrade Road  
Irwindale, California 91706

Attention: Covert E. Parnell III, Esq.  
General Counsel

Munger, Tolles & Olson  
355 South Grand Avenue  
35th Floor  
Los Angeles, California 90071-1560

Attention: John B. Frank, Esq.

If to Seller:

Fidelity Federal Bank  
600 N. Brand Boulevard  
Glendale, California 91209-1631

Attention: James Stutz, Executive Vice President

With copies to:

Legal Department  
Fidelity Federal Bank  
600 N. Brand Boulevard  
Glendale, California 91209-1631

Attention: Godfrey B. Evans, General Counsel

Jeffer, Mangels, Butler & Marmaro  
2121 Avenue of the Stars, 10th Floor  
Los Angeles, California 90067

Attention: Anthony J. Wall, Esq.

or such other address as shall be furnished in writing by either party, and such notice or consummation shall be deemed to have been given as of three (3) days after the date so mailed if sent by United States mail, one (1) business day after the date sent if sent by overnight courier, or on the date so delivered if delivered in person.

14.3 Taxes; Expenses. Each party hereto shall pay its own expenses,  
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including attorney's fees and filing or other fees payable in connection with all applications, notification and report forms and notices to be filed pursuant to Section 6.1. All property taxes and assessments with respect to the Assets shall be prorated between the parties on the basis of a three hundred and sixty-five (365) day year as of the close of business on the Closing Date. All rent and utility payments and other ordinary operating expenses related to any of the Branches shall be credited to or paid by Seller, except that all rent and utility payments and other ordinary operating expenses related to the Transfer Branches (other than any Excluded Branch) attributable to the operations after the close of business on the Closing Date shall be credited to or paid by Home Savings. All payments and charges under the Assumed Contracts due or accrued through the close of business on the Closing Date shall be credited to or paid by Seller, and all payments and charges under the Assumed Contracts due or accrued after the close of business on the Closing Date shall be credited to or paid by Home Savings. All recording, transfer, sales and documentary transfer taxes, fees, charges and assessments resulting or arising from the sale

and purchase of the Assets and the assumption of the Liabilities shall be paid by Seller. All title insurance fees, premiums and related costs shall be paid by Seller, provided that Home Savings shall pay that portion of the premium attributable to the ALTA extended coverage.

14.4 Entire Agreement, Modifications, Waivers, Headings. This Agreement,

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including any exhibits and schedules hereto, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties, whether oral or written, in connection herewith. No modification of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. Section and subsection headings are not considered part of this Agreement, are solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents of any section or subsection.

14.5 Successors and Assigns. All of the terms, obligations and

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provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective transferees, successors and assigns, but rights under this Agreement may not be assigned and duties hereunder may not be delegated by either party without the written consent of the other, and any such assignment or delegation shall be void and of no force or effect.

14.6 Counterparts. This Agreement may be executed in two or more

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counterparts, all of which taken together shall constitute one instrument.

14.7 Governing Law. This Agreement shall be governed by federal law,

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including laws and regulations governing the operation of federal savings institutions. To the extent federal law is not applicable, the governing law applicable to this Agreement shall be the law of the State of California applicable to contracts made and to be performed within the State of California by residents of the State of California.

14.8 Time is of the Essence. Time is of the essence of this Agreement.

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14.9 Attorney's Fees. If any action at law or in equity, including an

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action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees from the other party, which fees shall be in addition to any other relief which may be awarded.

14.10 Severability. If any provision of this Agreement or the application

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of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such provision shall be severed from this Agreement, and this Agreement shall continue in full force and effect without said provision; provided, that no such severability shall be effective if it materially changes the economic benefit of this Agreement to either party.

14.11 SAIF and BIF Fees. The parties hereby agree that each shall use

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its best efforts to obtain all necessary regulatory approvals to consummate the transfer of Deposits as contemplated by this Agreement without the assessment of exit and entrance fees by the FDIC, including, without limitation, approval pursuant to Section 5 (d) (3) of the FDIA.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

FIDELITY FEDERAL BANK, FSB

HOME SAVINGS OF AMERICA, FSB

By: /s/ signature to come

By: /s/ signature to come

-----  
Its: Executive Vice President

-----  
Its: Senior Vice President

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EXHIBIT A

BRANCHES OF SELLER

1. "Agoura Hills Branch"  
5613 Kanan Road  
Agoura Hills, California
2. 16130 Ventura Boulevard  
Encino, California
3. "Fairfax Branch"  
369 North Fairfax Avenue  
Los Angeles, California
4. 73-040 El Paseo  
Palm Desert, California
5. "Rancho Park Branch"  
10531 West Pico Boulevard  
Los Angeles, California
6. "Santa Monica Branch"  
1231 Wilshire Boulevard  
Santa Monica, California
7. "Simi Valley Branch"  
5775 E. Los Angeles Avenue  
Simi Valley, California
8. "Westwood Branch"  
1460 Westwood Boulevard  
Los Angeles, California
9. "Woodland Hills Branch"  
5441 Topanga Canyon Boulevard  
Woodland Hills, California

EXHIBIT B

HOME SAVINGS OF AMERICA, FSB

FIDELITY FEDERAL BANK, FSB

PRELIMINARY SETTLEMENT STATEMENT

-----  
This Preliminary Settlement Statement is provided by Fidelity Federal Bank, FSB ("Seller") pursuant to the terms of that certain Purchase of Assets and Liability Assumption Agreement dated as of July 19, 1994 by and between Home Savings of America, FSB and Seller (the "Agreement"). Unless otherwise defined, all capitalized terms used in this Preliminary Settlement Statement shall have the meanings attributed to them in the Agreement.

Calculation of Cash Payment

-----

I.

A.	Deposits (as reflected on updated Schedule 2.6)	\$	=====
B.	Preliminary Purchase Price equals the sum of:		
	Net Book Value of Personal Property as reflected on updated Schedule 2.7	\$	-----
	Aggregate Principal Amount of Account Loans and Transaction Account Loans as reflected on updated Schedule 2.8	\$	-----
	Cash on Hand as reflected on Schedule 1.4	\$	-----
	Deposit Premium (Core Deposits as reflected on updated Schedule 2.6 (\$_____) multiplied by 2.15%)	\$	-----
	Preliminary Purchase Price	\$	=====
C.	Net Lease Deposits as calculated pursuant to Section 10.2 of the Agreement	\$	=====
D.	FDIC Insurance Premium as calculated pursuant to Section 10.2 of the Agreement	\$	=====

E. Net expenses, taxes, rental, charges, etc., to be prorated between the parties pursuant to Section 14.3 of the Agreement and not otherwise reflected herein (supporting documents attached) \$  
=====

F. Advance Safe Deposit Rentals as calculated pursuant to Section 10.2 of the Agreement \$  
=====

II.

Deposits	\$	-----
less Preliminary Purchase Price	\$	-----
less Net Lease Deposits	\$	-----
less FDIC Insurance Premium	\$	-----
less or plus net amount of expenses, taxes, etc. prorated between the parties	\$	-----
plus Advance Safe Deposit Rentals	\$	-----
equals CASH PAYMENT	\$	=====

EXHIBIT C

LESSOR'S ESTOPPEL CERTIFICATE

-----

TO: HOME SAVINGS OF AMERICA, FSB

RE: Lease dated \_\_\_\_\_ between \_\_\_\_\_  
\_\_\_\_\_, as lessor ("Lessor") and Seller, as lessee  
("Lessee"), as modified by agreements and documents dated  
\_\_\_\_\_ (said lease as so modified is hereinafter called  
the "Lease"), for certain premises ("Premises") located at  
\_\_\_\_\_, California.

The undersigned, as Lessor under the Lease, hereby certifies that, as of the date hereof, the following is true and correct:

1. A complete and accurate copy of the Lease, including all riders, addenda and/or amendments is attached hereto.

2. The Lease is in full force and effect, and contains the entire agreement between Lessor and Lessee with respect to leasing of the Premises, without further modification, alteration or amendment.

3. There is and has been no default in the performance of the Lease by Lessee, nor, to the best of Lessor's knowledge, has any event occurred or condition arisen which, with the passage of time, or the giving of notice, or both, would constitute a default or breach by Lessee.

4. The Lease Term commenced \_\_\_\_\_ and terminates \_\_\_\_\_.

5. Rental and all other charges due under the Lease have been fully paid through \_\_\_\_\_.

6. The total base monthly rent currently paid by Lessee under the Lease is \$\_\_\_\_\_.

7. The total Security Deposit currently held by Lessor, pursuant to the Lease, is \$\_\_\_\_\_.

8. Lessee's pro rata share of all costs necessary for the operation and maintenance of the common areas, if any, is \_\_\_\_\_. The current monthly payment due for Lessee's estimated pro rata share of such expenses is \$\_\_\_\_\_.

9. The foregoing constitutes a complete list of all amounts payable by Lessee to Lessor under the Lease.

10. Lessee has no options or rights of first refusal affecting the Lease or the Premises, except as fully reflected in the Lease.

11. [Home Savings to supply additional language clarifying the meaning of ambiguous provisions, etc. as necessary.]

The undersigned acknowledges that Home Savings will rely upon this Certificate in assuming Lessee's rights and obligations under the Lease.

Dated \_\_\_\_\_, 1994

LESSOR:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

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EXHIBIT C-1

LESSEE'S ESTOPPEL CERTIFICATE

-----

TO: HOME SAVINGS OF AMERICA, FSB

RE: [Sublease] [Lease] dated \_\_\_\_\_ between Fidelity Federal Bank, FSB, as lessor ("Lessor") and \_\_\_\_\_ as lessee ("Lessee"), as modified by agreements and documents dated \_\_\_\_\_ (said [sublease] [lease] as so modified is hereinafter called the "Lease"), for certain premises ("Premises") located at \_\_\_\_\_, California.

The undersigned, as Lessee under the Lease, hereby certifies that, as of the date hereof, the following is true and correct:

1. A complete and accurate copy of the Lease, including all riders, addenda and/or amendments is attached hereto.
2. The Lease is in full force and effect, and contains the entire agreement between Lessor and Lessee with respect to leasing of the Premises, without further modification, alteration or amendment.
3. There is and has been no default in the performance of the Lease by Lessor, nor, to the best of Lessee's knowledge, has any event occurred or condition arisen which, with the passage of time, or the giving of notice, or both, would constitute a default or breach by Lessor.
4. The Lease Term commenced \_\_\_\_\_ and terminates \_\_\_\_\_.
5. Rental and all other charges due under the Lease have been fully paid through \_\_\_\_\_.
6. The total base monthly rent currently paid by Lessee under the Lease is \$\_\_\_\_\_. There has been no prepayment of rent except as provided in the Lease.
7. The total Security Deposit currently held by Lessor, pursuant to the Lease, is \$\_\_\_\_\_.
8. Lessee has no options or rights of first refusal affecting the Lease or the Premises, except as fully reflected in the Lease.

9. [Home Savings to supply additional language clarifying the meaning of ambiguous provisions, etc. as necessary.]

The undersigned acknowledges that Home Savings will rely upon this Certificate in assuming Lessor's rights and obligations under the Lease.

Dated \_\_\_\_\_, 1994

LESSEE:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

C-1-2

EXHIBIT D

CONSENT TO ASSIGNMENT

-----

The undersigned

-----,  
the current [lessor][lessee] ("Consenting Party") with respect to that certain  
[lease][sublease], dated \_\_\_\_\_ between \_\_\_\_\_  
-----,  
and Seller, as [lessee] [lessor] (hereinafter called the "Assignor"), as  
modified by agreements and documents dated \_\_\_\_\_ (said  
-----  
[lease][sublease] as so modified is hereinafter called the "Lease") for premises  
located at

-----  
(hereinafter called the "Premises"), does hereby consent to the assignment of  
the Assignor's interest in the Lease and the Premises to HOME SAVINGS OF  
AMERICA, FSB (hereinafter called the "Assignee"), provided such assignment is  
effected pursuant to the terms of an Assignment and Assumption Agreement  
substantially in the form attached as Exhibit A hereto.

The undersigned further confirms that Assignee may replace Assignor's  
signage with comparable signage of the Assignee without further permission of  
the undersigned.

[In consideration of the assignment of the Assignor's interest in the  
Lease and the premises to the Assignee and the Assignee's assumption of the  
obligations of the [lessee][lessor] under the Lease, the undersigned hereby  
releases the Assignor from all liability under the Lease accruing from and after  
the effective date of the assignment.]\*

IN WITNESS WHEREOF, the undersigned has executed this Consent the  
day or \_\_\_\_\_, 1994.

-----

[ \_\_\_\_\_ ]

By: /s/  
-----  
Its:  
-----

\* If any lessor objects to this bracketed provision, Seller shall delete it  
from this Consent.



EXHIBIT E

LESSEE'S ASSIGNMENT AND ASSUMPTION AGREEMENT  
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THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, entered into this \_\_\_\_ day of \_\_\_\_\_, 1994, by and between Fidelity Federal Bank, FSB, having an office at \_\_\_\_\_ (hereinafter called the "Assignor"), and Home Savings of America, FSB, having an office at 4900 Rivergrade Road, Irwindale, California 91706 (hereinafter called the "Assignee");

WITNESSETH:

WHEREAS, by lease, dated \_\_\_\_\_, 19\_\_\_\_, \_\_\_\_\_, as lessor, leased to Assignor as lessee, certain premises located at \_\_\_\_\_ (hereinafter called the "Premises") for the term and upon the terms and conditions contained in said lease; and

WHEREAS, said lease has heretofore been modified by amendments dated \_\_\_\_\_ (said lease as so modified is hereinafter called the "Lease"); and

WHEREAS, Assignor and Assignee have entered into that certain Purchase of Assets and Liability Assumption Agreement dated \_\_\_\_\_, 1994 (the "Agreement"), whereby Assignor has agreed to sell and Assignee has agreed to purchase certain of the assets of Assignor described therein and whereby Assignor has agreed to transfer and Assignee has agreed to assume certain of the liabilities of Assignor described therein; and

WHEREAS, Assignor desires to assign the Lease to Assignee and Assignee desires to accept said assignment and to assume the obligations of Assignor under the Lease, all upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties agree as follows:

1. Assignor assigns to Assignee as of the close of business on \_\_\_\_\_, 1994 (the "Closing Date") all of the Assignor's right, title and interest in and to the Lease and the Premises and all leasehold improvements and fixtures installed or located therein, free and clear of any lien or encumbrance.

2. Assignor warrants and represents to Assignee that Assignor has full power and authority to transfer to Assignee the lessee's interest in the Lease, the Premises and the leasehold improvements and fixtures in accordance with the terms of this Agreement; that Assignor is the sole owner of the lessee's interest therein; that the Lease is in full force and effect; that rent and the other obligations of the lessee under the Lease have been paid or performed by Assignor; that the Assignor is not in default under the Lease; and that no event has occurred which with the passage of time will constitute a default under the Lease.

3. Assignee accepts as of the close of business on the Closing Date said assignment of Assignor's interest in the Lease and assumes all of the obligations of the lessee under the Lease arising on or after the close of business on the Closing Date.

4. Assignor agrees to and does hereby indemnify and hold Assignee harmless from and against any loss, liability, damage, claims, demands, cost or expense, including reasonable attorneys' fees, arising out of or in connection with the obligations of the lessee under the Lease or the use and occupancy of the Premises prior to the close of business on the Closing Date.

5. Assignee agrees to and does hereby indemnify and hold Assignor harmless from and against any loss, liability, damage, claims, demands, cost or expense, including reasonable attorneys' fees, arising out of or in connection with the obligations of the lessee under the Lease or the use and occupancy of the Premises on or after the close of business on the Closing Date.

6. Should any action or proceeding, excluding arbitration, be commenced between the parties to this Assignment concerning this Assignment, or the rights and duties of either in relation hereto, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be granted in the action or proceeding, to a reasonable sum as and for its attorneys' fees in such litigation which shall be determined by the court in such litigation or in a separate action brought for that purpose.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed the day and year first above written.

FIDELITY FEDERAL BANK, FSB

BY: \_\_\_\_\_  
[NAME]  
[TITLE]

[NOTARIAL ACKNOWLEDGMENT]

HOME SAVINGS OF AMERICA, FSB

BY: \_\_\_\_\_  
[NAME]  
[TITLE]

[NOTARIAL ACKNOWLEDGMENT]

LESSOR'S ASSIGNMENT AND ASSUMPTION AGREEMENT  
-----

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, entered into this \_\_\_ day of \_\_\_\_\_, 1994, by and between Fidelity Federal Bank, FSB, having an office at \_\_\_\_\_ (hereinafter called the "Assignor"), and Home Savings of America, FSB, having an office at 4900 Rivergrade Road, Irwindale, California 91706 (hereinafter called the "Assignee"):

WITNESSETH:

WHEREAS, by lease, dated \_\_\_\_\_, 19\_\_\_, Assignor, as lessor, leased to \_\_\_\_\_ as lessee, certain premises located at \_\_\_\_\_ (hereinafter called the "Premises") for the term and upon the terms and conditions contained in said lease; and

WHEREAS, said lease has heretofore been modified by amendments dated \_\_\_\_\_ (said lease as so modified is hereinafter called the "Lease"); and

WHEREAS, Assignor and Assignee have entered into that certain Purchase of Assets and Liability Assumption Agreement dated \_\_\_\_\_, 1994 (the "Agreement"), whereby Assignor has agreed to sell and Assignee has agreed to purchase certain of the assets of Assignor described therein and whereby Assignor has agreed to transfer and Assignee has agreed to assume certain of the liabilities of Assignor described therein; and

WHEREAS, Assignor desires to assign the Lease to Assignee and Assignee desires to accept said assignment and to assume the obligations of Assignor under the Lease, all upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties agree as follows:

1. Assignor assigns to Assignee as of the close of business on \_\_\_\_\_, 1994 (the "Closing Date") all of the Assignor's right, title and interest in and to the Lease and the Premises and all leasehold improvements and fixtures installed or located therein, free and clear of any lien or encumbrance.

2. Assignor warrants and represents to Assignee that Assignor has full power and authority to transfer to Assignee the lessor's interest in the Lease, the Premises and the leasehold improvements and fixtures in accordance with the terms of this Agreement; that Assignor is the sole owner of the lessor's interest therein; that the Lease is in full force and effect; that the obligations of the lessor under the Lease have been performed by Assignor; that the Assignor is not in default under the Lease; and that no event has occurred which with the passage of time will constitute a default under the Lease.

3. Assignee accepts as of the close of business on the Closing Date said assignment of Assignor's interest in the Lease and assumes all of the obligations of the lessor under the Lease arising on or after the close of business on the Closing Date.

4. Assignor agrees to and does hereby indemnify and hold Assignee harmless from and against any loss, liability, damage, claims, demands, cost or expense, including reasonable attorneys' fees, arising out of or in connection with the obligations of the lessor under the Lease or the use and occupancy of the Premises prior to the close of business on the Closing Date.

5. Assignee agrees to and does hereby indemnify and hold Assignor harmless from and against any loss, liability, damage, claims, demands, cost or expense, including reasonable attorneys' fees, arising out of or in connection with the obligations of the lessor under the Lease or the use and occupancy of the Premises on or after the close of business on the Closing Date.

6. Should any action or proceeding, excluding arbitration, be commenced between the parties to this Assignment concerning this Assignment, or the rights and duties of either in relation hereto, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be granted in the action or proceeding, to a reasonable sum as and for its attorneys' fees in such litigation which shall be determined by the court in such litigation or in a separate action brought for that purpose.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed the day and year first above written.

FIDELITY FEDERAL BANK, FSB

BY:

-----  
[NAME]  
[TITLE]

[NOTARIAL ACKNOWLEDGMENT]

HOME SAVINGS OF AMERICA, FSB

BY:

-----  
[NAME]  
[TITLE]

[NOTARIAL ACKNOWLEDGMENT]

E-1-3

EXHIBIT F

TITLE INSURANCE COVERAGE  
-----

Branch Location -----	Amount of Title Insurance -----
Rancho Park Branch	\$275,000

EXHIBIT G

BILL OF SALE AND ASSIGNMENT

-----

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Fidelity Federal Bank, FSB ("Seller") does hereby assign, grant, sell, transfer and deliver to HOME SAVINGS OF AMERICA, FSB ("Home Savings"), in accordance with the certain Purchase of Assets and Liability Assumption Agreement dated as of July 19, 1994 by and between Seller and Home Savings (the "Agreement"), all of Seller's right, title and interest in and to all of the Personal Property, Account Loans, Transaction Account Loans, Assumed Contracts, Safe Deposit Business, Records and all other Assets as and to the extent set forth in the Agreement. Unless otherwise defined herein, all capitalized terms used in this Bill of Sale and Assignment shall have the meanings attributed to them in the Agreement. Seller acknowledges that Home Savings does not assume and shall have no liability for any debts, liabilities or obligations of Seller of any kind whatsoever except as specifically set forth in the Agreement or in any other writing executed by Home Savings.

Seller does hereby covenant with Home Savings and its successors and assigns that it is lawfully seized of the foregoing properties and assets, that it holds the foregoing properties and assets free and clear of all liens, claims, encumbrances, security interests, pledges, leases, equities, conditional sales contracts, charges, restrictions and chattel mortgages of any kind whatsoever, that it has good title to, and good and lawful authority to convey, the foregoing properties and assets, and that it will protect and defend Home Savings' right, title and interest in and to such properties and assets.

This Bill of Sale and Assignment has been duly executed by Seller as of the \_\_\_\_\_ day of \_\_\_\_\_, 1994.

FIDELITY FEDERAL BANK, FSB

By: \_\_\_\_\_  
[Name]  
[Title]



EXHIBIT H

GENERAL ASSIGNMENT

-----

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Fidelity Federal Bank, FSB ("Seller") does hereby assign, grant, sell, transfer, convey and deliver to HOME SAVINGS OF AMERICA, FSB ("Home Savings"), in accordance with that Purchase of Assets and Liability Assumption Agreement dated as of July 19, 1994 by and between Seller and Home Savings (the "Agreement"), all of Seller's right, title and interest in, under and to any and all guaranties, warranties and other rights, whether express or implied, issued or made in connection with or related to the acquisition, development, construction, operation, maintenance and/or repair of the \_\_\_\_\_ Branches, the improvements or real property which are the subject of the \_\_\_\_\_ Branches or the Branch Leases, or any portion thereof, or any personal property located thereon or used in connection therewith, including, among other things, any warranty covering any machinery and any mechanical, electrical, HVAC or plumbing system used in the operation of the \_\_\_\_\_ Branches.

Unless otherwise defined herein, all capitalized terms used in this General Assignment shall have the meanings attributed to them in the Agreement. This General Assignment has been duly executed by Seller as of \_\_\_\_\_, 1994.

FIDELITY FEDERAL BANK, FSB

By:

-----  
[Name]  
[Title]

EXHIBIT I

CERTIFICATE OF NON-FOREIGN STATUS

-----

Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 18805 of the California Revenue and Taxation Code provide that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform Home Savings of America, FSB, a federal savings bank ("Transferee"), that the withholding of taxes is not required upon the disposition of U.S. real property interests by Fidelity Federal Bank, FSB, a \_\_\_\_\_ ("Transferor"), the undersigned hereby certifies the following on behalf of Transferor;

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. Transferor's U.S. employer identification number is \_\_\_\_\_; and

3. Transferor's office address is \_\_\_\_\_.

Transferor understands that (i) this certificate may be disclosed to the Internal Revenue Service by Transferee, and that any false statement contained herein could be punished by fine, imprisonment, or both, and (ii) Transferee is relying on this certificate in determining whether withholding is required upon the transfer of certain real property interests situated in the County of Orange, California to Transferee by Transferor.

Under penalties of perjury, I declare that I have examined this certification, and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

TRANSFEROR

FIDELITY FEDERAL BANK, FSB

By: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT J

OPINION OF COUNSEL TO SELLER  
-----

At the Closing Jeffer, Mangels, Butler & Marmaro, or such other counsel as is reasonably satisfactory to Home Savings, shall deliver an opinion substantially as to the following matters, subject to customary limitations and its reliance upon certificates of public officials and officers of Seller, as to matters of fact, and opinions of counsel reasonably satisfactory to Home Savings, as to matters of law:

1. Seller is a California state chartered savings and loan association duly organized, validly existing, and in good standing under the laws of California, and it has the requisite corporate power and authority to execute, deliver and perform the Agreement. Seller is duly authorized to conduct a savings and loan business, is a member in good standing of the Federal Reserve Bank of San Francisco, and is duly authorized to operate each of the Branches.

2. The execution, delivery and performance of the Agreement and the consummation of the transactions contemplated thereby by Seller have been duly and validly authorized and approved by all requisite corporate action. The Agreement is a valid and binding obligation of Seller, enforceable in accordance with its terms, except that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and the rights of creditors of federally chartered savings banks and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceedings therefor may be brought.

3. The execution and delivery of the Agreement and the consummation of the transactions contemplated thereby will not conflict with any of the provisions of the charter, bylaws or other governing instruments of Seller; or violate any applicable laws, orders or regulations; or, to the best knowledge of such counsel, conflict with or result in a breach of any judgment, order, decree or ruling to which Seller is a party, or by which it or any of its property is bound, or any injunction of any court or governmental authority to which it or any of its property is subject, or any material agreement to which it is a party or by which any of its property is affected, or require the affirmative consent or approval of any governmental or nongovernmental third party (other than as expressly contemplated in the Agreement).

4. To the best knowledge of such counsel, there are no actions, suits, claims, proceedings or investigations pending or threatened against Seller that (a) question the validity of or otherwise challenge the Agreement, (b) seek to restrain, enjoin or prevent the consummation of the transactions contemplated by the Agreement, (c) might result in rescission of the Agreement or the transactions contemplated thereby, or (d) affect any of the Assets or Liabilities being transferred to Home Savings pursuant to the terms of the Agreement.

5. All applicable consents, approvals and authorizations of any federal or state governmental authority or agency required for the execution, delivery and performance by Seller of the Agreement and the consummation by it of the transactions contemplated thereby have been obtained, all applicable waiting periods have expired and all conditions in such approvals that are required to be satisfied prior to the Closing have been satisfied.

EXHIBIT K

ASSUMPTION AGREEMENT

-----

FOR VALUE RECEIVED, HOME SAVINGS OF AMERICA, FSB ("Home Savings"), a federal savings bank, has executed and delivered this Assumption Agreement ("Assumption Agreement") to Fidelity Federal Bank, FSB ("Seller"), a federal savings bank, pursuant to the terms of that certain Purchase of Assets and Liability Assumption Agreement dated as of the 14th day of July, 1994 ("Agreement"). Unless otherwise defined herein, all capitalized terms used in this Assumption Agreement shall have the meanings attributed to them in the Agreement.

Home Savings hereby assumes all obligations of Seller arising after the close of business on the date hereof under the Account Loans, the Transaction Account Loans, the Safe Deposit Business and the Assumed Contracts. In addition, with respect to the Deposits assumed pursuant to Section 1.2 of the Agreement, Home Savings hereby assumes and agrees to pay the liability of Seller to pay to each account holder whose account is included within the Deposits the principal amount of such account holder's deposits plus interest accrued thereon through the date hereof, to the extent such sums are included and reflected on final Schedule 2.6. Notwithstanding anything contained herein which may be or appear to be to the contrary, Home Savings does not hereby assume and shall have no liability for any debts, liabilities or obligations of Seller of whatsoever kind or nature other than as specifically set forth herein.

This Assumption Agreement shall not create in any third parties (including, but not limited to, deposit account holders or borrowers): (a) any rights or remedies against Home Savings which such parties did not have against Seller prior to the execution and delivery of this Assumption Agreement with respect to the debts, liabilities or obligations specifically assumed herein; or (b) any claims against Home Savings with respect to any liability of Seller under the Account Loans, the Transaction Account Loans, the Assumed Contracts, or the Branch Leases arising on or prior to the close of business on the date hereof; or (c) any claims against Home Savings with respect to any account included within the Deposits, other than for payment of principal and accrued interest as of the close of business on the date hereof, to the extent such sums are included and reflected in final Schedule 2.6; or (d) any claims against Home Savings with respect to any deposit not fully and accurately reflected in Schedule 2.6; or (e) any claims against Home Savings with respect to the Account Loans or the Transaction Account Loans, other than for the administration thereof after the date hereof.

IN WITNESS WHEREOF, Home Savings and Seller have caused this Assumption Agreement to be signed by their duly authorized officers as of the \_\_\_\_ day of \_\_\_\_\_, 1994.

FIDELITY FEDERAL BANK, FSB

HOME SAVINGS OF AMERICA, FSB

BY: \_\_\_\_\_  
[NAME]  
[TITLE]

BY: \_\_\_\_\_  
[NAME]  
[TITLE]

K-2

EXHIBIT L

RETIREMENT ACCOUNT  
TRANSFER AGREEMENT  
-----

This Agreement (the "Transfer Agreement") is made between Fidelity Federal Bank, FSB, a federal savings bank ("Resigning Trustee") and Home Savings of America, FSB, a federal savings bank ("Successor Trustee"). Capitalized terms not defined herein shall have the meanings assigned to them in the Agreement.

RECITALS  
-----

A. Resigning Trustee has served as trustee with respect to certain retirement accounts (collectively, the "Plans"), included within the Purchase of Assets and Liability Assumption Agreement made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1994 by and between Resigning Trustee and Successor Trustee (the "Agreement"), the funds of which are domiciled at the Branches (as defined in the Agreement).

B. Pursuant to the Agreement, Successor Trustee is acquiring from Resigning Trustee certain Deposits, including Deposits holding funds of the Plans.

C. In connection with the acquisition of such Deposits, Successor Trustee will succeed to the trusteeship of the Plans and become successor trustee in the place Resigning Trustee.

D. The parties deem it necessary and advisable to execute this Transfer Agreement in order to describe the terms of transfer of the Plans and the duties and responsibilities of the parties with regard thereto.

E. Execution of this Transfer Agreement is an element of the consideration for the execution by the parties of the Agreement and a condition to closing thereunder.

TRANSFER AGREEMENT  
-----

Now, therefore, in consideration of premises stated, above, the mutual promises contained herein and in the Agreement, and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereby agree as follows:

1.1 As of 5:00 p.m. on the Closing Date, or such other date and time as the parties may fix (the "Transfer Date"), the Resigning Trustee shall assign, transfer and deliver to the

Successor Trustee as set forth in the Agreement, funds and Deposits, domiciled in Resigning Trustee's Branches. Furthermore, at least thirty (30) days prior to the Closing Date, the Resigning Trustee shall request the league to remove it as trustee of the Plans it is transferring and appoint the Successor Trustee effective as of the Transfer Date.

1.2 At least thirty (30) days prior to the Transfer Date, Seller will notify participants of its Plans of its resignation as trustee and appointment of Home Savings as Successor Trustee; Home Savings shall follow with a letter to participants of such plans accepting the successor trusteeship.

1.3 After the Transfer Date, the Successor Trustee shall not accept any new plans naming the Resigning Trustee as trustee, nor shall the Successor Trustee use any advertising, materials, plan documents, or any other printed matter referring to the Resigning Trustee as trustee of any retirement accounts.

1.4 The Resigning Trustee shall prepare and file all required year-end reports for all activity under the Plans transferred to Successor Trustee, including but not limited to IRS form 1099R and IRS form 5498 for the portion of the calendar year 1994 to and including the Transfer Date. The Successor Trustee shall prepare and file such reports, where applicable, for the balance of the calendar year 1994 and thereafter, so long as the Successor Trustee remains as the trustee. It is further agreed that the Resigning Trustee and Successor Trustee will each report their portion of withholding for such plans to the appropriate state and federal agencies.

1.5 In the event that the Resigning Trustee receives after the Transfer Date, any documents, correspondence or other written materials relating to the Plans transferred to Successor Trustee, the Resigning Trustee will promptly forward such items to the Successor Trustee with a written explanation of such items. The Resigning Trustee agrees to answer reasonable inquiries from the Successor Trustee pertaining to the Plans and any pending transactions or items received after the Transfer Date.

1.6 The Resigning Trustee will waive any and all rights to collect the trustee fee for 1994.

1.7 On the Transfer Date the Resigning Trustee shall deliver to the successor Trustee all original or legible certified copies of (i) all documents executed by the depositors of the Plans to be transferred to Successor Trustee, including but not limited to all adoption agreements, membership agreements, plan amendments, and beneficiary forms, and (ii) all other records and information necessary to allow the Successor



Trustee to administer and conduct business with respect to such Plans.

1.8 No later than the Transfer Date the Resigning Trustee agrees to provide the Successor Trustee, with a complete and up-to-date listing of:

- (a) any and all participants of the Plans transferred to Successor Trustee that have reached age 70 1/2 by 1994, and prior year balances required for calculations of mandatory distributions;
- (b) any or all Plans at Resigning Trustee's Branches receiving periodic distributions, the method of calculation for arriving at such amounts distributed, and copies of the approved distribution forms;
- (c) any and all Plans on the Resigning Trustee's system on deposit at the Branches;
- (d) any and all Plans at the Resigning Trustee's Branches currently not exempted from either federal tax withholding or state withholding, or both, and current filing status for each participant where withholding may apply; and
- (e) any and all Plans at Resigning Trustee's Branches where the Plan participant has died, the date of death (if known) and a legible copy of the death certificate when available.

1.9 The Resigning Trustee agrees that, prior to the Transfer Date, it shall make any and all of the following payments or take any and all of the following actions, each as required to be made or taken prior to the Transfer Date:

- (a) distribute all scheduled 1994 mandatory minimum distribution payments;
- (b) complete all scheduled or pending transfers; and
- (c) distribute all scheduled periodic and non-periodic distributions.

1.10 The Successor Trustee agrees to indemnify and hold harmless the Resigning Trustee from (i) any and all losses, costs (including reasonable attorney's fees), expenses, damages, liabilities, or penalties of every kind whatsoever that the Resigning Trustee, its affiliates, successors, directors,

officers, employees, or agents may incur as a result of the Successor Trustee's failure to perform its obligations under this Transfer Agreement; and (ii) any penalties, taxes or other liabilities which might arise in the event any act or omission by the Successor Trustee results in disqualification of any Plan acquired from the Resigning Trustee.

1.11 The Resigning Trustee agrees to indemnify and hold harmless the Successor Trustee, its affiliates and successors from any and all losses, costs (including reasonable attorney's fees), expenses, damages, liabilities, or penalties of every kind whatsoever that the Successor Trustee, its affiliates, successors, directors, officers, employees, or agents may incur as a result of any act, omission, or breach of fiduciary obligation by the Resigning Trustee prior to or on the Transfer Date or in fulfillment of its obligations under this Transfer Agreement.

1.12 If any action or proceeding is brought by either party against the other pertaining to or arising out of this Transfer Agreement, the final prevailing party shall be entitled to recover all costs and expenses, including reasonable attorney's fees, incurred on account of such action or proceeding.

1.13 This Transfer Agreement may be executed in any number of counterparts, each of which shall be an original but all of which constitute one and the same instrument.

Executed this \_\_\_\_ day of \_\_\_\_\_, 1994.

FIDELITY FEDERAL BANK, FSB

HOME SAVINGS OF AMERICA, FSB

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT M

OPINION OF COUNSEL TO HOME SAVINGS

(To be provided at the Closing by Munger, Tolles & Olson or such other counsel as is reasonably satisfactory to Seller, in substantially the following form:)

[Date]

Fidelity Federal Bank, FSB

Ladies and Gentlemen:

We have acted as counsel to Home Savings of America, FSB ("Home Savings"), a federal savings bank, in connection with the preparation of the Purchase of Assets and Liability Assumption Agreement by and between Home Savings and Seller dated as of July 19, 1994, and the closing of the transactions described therein. This Opinion Letter is provided to you pursuant to Section 10.4(c) of the Agreement. Except as otherwise indicated herein, capitalized terms used in this Opinion Letter are defined in the Agreement or the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991), respectively. In the event of any inconsistency between the definition of any such term in the Agreement and the Accord, the definition set forth in the Accord shall govern.

This Opinion Letter is governed by, and is to be interpreted in accordance with, the Accord. As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter is to be read in conjunction therewith.

This Opinion Letter is also governed by, and is to be interpreted in accordance with, the "California Provisions" as defined in the Business Law

Section of the State Bar of California Report on the Third-Party Legal Opinion

Report of the ABA Section of Business Law (dated May 1992), and is therefore

subject to a number of additional qualifications, exceptions, and understandings, all as more particularly described in the California Provisions, and this Opinion Letter is to be read in conjunction therewith as well.

The law covered by the opinions expressed herein is limited to the Federal Law of the United States and the Law of the State of California.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Agreement is enforceable against Home Savings.

2. The execution and delivery by Home Savings of, and the performance by Home Savings of its agreement in, the Agreement, do not (i) violate any of the provisions of the Constituent Documents of Home Savings, or (ii) violate any applicable provisions of statutory law or regulation.

3. To our Actual Knowledge, all applicable and material consents, approvals and authorizations of any federal or state governmental authority or agency required for the execution and delivery by Home Savings of, and the performance of its agreements in, the Agreement, have been obtained, subject to the satisfaction of the conditions set forth in that certain letter dated \_\_\_\_\_, 1994 from the Office of Thrift Supervision to Home Savings that are required to be satisfied after the Closing.

We hereby confirm to you that there is no action, suit or proceeding pending or overtly threatened in writing against Home Savings of which we have Actual Knowledge, before any court or arbitrator, or any governmental body, or agency, that (i) questions the validity of or otherwise challenges the Agreement or seeks to restrain, enjoin or prevent the consummation of the transactions contemplated by the Agreement, or (ii) might result in rescission thereof.

[Date]

Fidelity Federal Bank, FSB

Ladies and Gentlemen:

I am [Senior Counsel] for Home Savings of America, FSB ("Home Savings"). You have requested my opinion in connection with the Purchase of Assets and Liability Assumption Agreement by and between Home Savings and Seller dated as of July 19, 1994, and the closing of the transactions described therein. This Opinion Letter is provided to you pursuant to Section 10.4(c) of the Agreement.

This Opinion Letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord.

This Opinion Letter is also governed by, and shall be interpreted in accordance with, the "California Provisions" as defined in the Business Law

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Section of the State Bar of California Report on the Third-Party Legal

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Opinion Report of the ABA Section of Business Law (dated May 1992), and is

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therefore subject to a number of additional qualifications, exceptions, and understandings, all as more particularly described in the California Provisions, and this Opinion Letter should also be read in conjunction therewith.

The law covered by the opinions expressed herein is limited to the Federal Law of the United States and the Law of the State of California. Except as otherwise indicated herein, capitalized terms used in this Opinion Letter are defined as set forth in the Agreement or the Accord.

Based upon and subject to the foregoing, I am of the opinion that:

To the Opinion Giver's Actual Knowledge, the execution and delivery by Home Savings of, and performance of its agreements in, the Agreement and the instruments and documents it is responsible for delivering at Closing pursuant to Section 10.4

of the Agreement, do not (i) breach or otherwise violate any existing obligation of Home Savings under any Court Order, or (ii) breach, or result in a default under, any existing obligation of Home Savings under any material agreement to which it is a party or by which any of its property is bound.

M-1-4

EXHIBIT N

FIDELITY FEDERAL BANK, FSB  
CHIEF FINANCIAL OFFICER'S CERTIFICATE  
-----

The undersigned, \_\_\_\_\_, hereby certifies that [he/she] is the duly elected Chief Financial Officer of Fidelity Federal Bank, FSB ("Seller"), a federal savings bank, and as such delivers this certificate pursuant to Section 10.5(a) of the Purchase of Assets and Liability Assumption Agreement (the "Agreement") dated as of July 19, 1994 by and between Seller and Home Savings of America, FSB ("Home Savings"), a federal savings bank, and further certifies that the final Schedules 2.6, 2.7, 2.8 and the final Schedule 1.4(c) delivered this date are each true and correct as of the close of business on the Closing Date.

All capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate the \_\_\_ day of \_\_\_\_\_, 1994.

FIDELITY FEDERAL BANK, FSB

By: \_\_\_\_\_  
[Name]  
Chief Financial Officer

EXHIBIT 0

HOME SAVINGS OF AMERICA, FSB

FIDELITY FEDERAL BANK, FSB

FINAL SETTLEMENT STATEMENT

-----

This Final Settlement Statement is provided by Fidelity Federal Bank, FSB ("Seller") pursuant to the terms of that certain Purchase of Assets and Liability Assumption Agreement dated as of July 19, 1994 by and between Home Savings of America, FSB and Seller (the "Agreement"). Unless otherwise defined, all capitalized terms used in this Final Settlement Statement shall have the meanings attributed to them in the Agreement.

Calculation of Final Purchase Price

-----

I.

A. Deposits (as reflected on final Schedule 2.6)	\$	=====
B. Purchase Price equals the sum of:		
Net Book Value of Personal Property as reflected on final Schedule 2.7	\$	-----
Aggregate Principal Amount of Account Loans and Transaction Account Loans as reflected on final Schedule 2.8	\$	-----
Cash on Hand as reflected on final Schedule 1.4	\$	-----
Deposit Premium (Core Deposits as reflected on updated Schedule 2.6 (\$       ) multiplied by 2.15%)	\$	-----
Purchase Price	\$	=====
C. Net Lease Deposits as calculated pursuant to Section 10.2 of the Agreement	\$	=====
D. FDIC Insurance Premium as calculated pursuant to Section 10.2 of the Agreement	\$	=====
E. Net expenses, taxes, rental, charges etc. to be prorated between the parties pursuant to Section 14.3 of the Agreement and not		



otherwise reflected herein (supporting documents attached)

\$  
=====

F. Advance Safe Deposit Rentals as calculated pursuant to Section 10.2 of the Agreement

\$  
=====

II.

Deposits

\$  
-----

less Purchase Price

\$  
-----

less Net Lease Deposits

\$  
-----

less FDIC Insurance Premium

\$  
-----

less or plus net amount of expenses, taxes, etc.

prorated between the parties

\$  
-----

plus Advance Safe Deposit Rentals

\$  
-----

equals Final Payment

\$  
=====

Cash Payment (paid on Closing Date)

\$  
=====

III.

Amount Final Payment exceeds Cash Payment

\$  
-----

plus interest as calculated pursuant to

Section 10.5 (c) of the Agreement

\$  
-----

equals wire transfer amount to be paid to

Home Savings by Seller

\$  
-----

OR

Amount Cash Payment exceeds Final Payment

\$  
-----

plus interest as calculated pursuant to

Section 10.5 (c) of the Agreement

\$  
-----

equals wire transfer amount to be paid to

Seller by Home Savings

\$  
-----

CREDIT AGREEMENT

among

CITADEL REALTY, INC.  
(as borrower)

CITADEL HOLDING CORPORATION  
(as guarantor)

and

CRAIG CORPORATION  
(as lender)

dated as of August 2, 1994

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This Credit Agreement is made as of the 2nd day of August 1994 among Citadel Realty, Inc., a Delaware corporation (the "Company"), Citadel Holding Corporation, a Delaware corporation (the "Guarantor"), and Craig Corporation, a Delaware corporation ("Craig").

SECTION 1. DEFINITIONS  
-----

As used in this Agreement, the following terms shall have the meanings specified unless the context otherwise requires:

"Agreement" shall mean this Credit Agreement as the same may from time to time hereafter be modified, supplemented or amended as provided herein.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy," as amended from time to time, and any successor statute or statutes.

"Borrowing" shall have the meaning provided in Section 2.2.

"Business Day" shall mean any day excluding Saturday, Sunday and any day which shall be in Los Angeles, California, a legal holiday or a day on which commercial banking institutions are authorized or required by law or other government actions to close.

"Change in Control" shall mean a Company Change in Control or a Guarantor Change in Control.

"Company Change in Control" shall mean (i) a consolidation or merger of the Company other than a consolidation or merger in which the Guarantor, Craig and their respective affiliates together own, directly or indirectly, immediately thereafter shares of the capital stock of the surviving entity which represent at least 50% of the voting power in such entity (or which possess less than 50% of such voting power but more than any other "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended); (ii) a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company other than a sale, lease, exchange or other transfer to the Guarantor, Craig or an affiliate of Craig, (iii) any liquidation or dissolution of the Company, or (iv) any other transaction following which the Guarantor, Craig and their respective affiliates together cease to own, directly or indirectly, shares of capital stock of the Company which represent at least 50% of the voting power of the outstanding capital stock of the Company entitled to vote for the election of members of the Board of Directors of the Company.

"Guarantor Change in Control" shall mean (i) a consolidation or merger of the Guarantor other than a consolidation or merger in which the stockholders of the Guarantor immediately prior to the merger or consolidation receive securities of the surviving entity in direct proportion to their relative holdings of capital stock of the Guarantor and own, directly or indirectly, immediately thereafter shares of the capital stock of the surviving entity which represent at least 50% of the voting power in such entity; (ii) a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Guarantor other than a sale, lease, exchange or other transfer to Craig or an affiliate of Craig, (iii) any liquidation or dissolution of the Guarantor, (iv) any transaction which results in any Person (other than Craig or its affiliates) becoming an "interested stockholder" of the Guarantor within the meaning of Section 203 of the Delaware General Corporation Law, or (v) any event (other than an event within Craig's control) following which a majority of the Board of Directors of the Guarantor consists of individuals other than individuals who are either directors of the Guarantor immediately following the transactions contemplated by this Agreement, nominees of such directors or nominees of such nominees.

"Closing Date" shall mean the date on which the initial Loan is advanced hereunder.

"Company" shall have the meaning provided in the first paragraph of this Agreement.

"Company Cash Flow" shall mean, for any period, the net income (or loss) of the Company after deduction of all expenses, taxes, extraordinary gains and other proper charges, plus interest expense, income taxes, depreciation and amortization, all as determined in conformity with GAAP.

"Company Net Worth" shall mean the total assets less the total liabilities of the Company determined in conformity with GAAP.

"Company Tangible Net Worth" shall mean the Company Net Worth less the book value of all assets of the Company which constitute intangibles determined in conformity with GAAP, provided, that for purposes of Section 5.1(c), the fair market value of the Real Property and other assets of the Company as determined by the most recent independent appraisal shall be used in such determination in lieu of the book value of such assets.

"Craig" shall have the meaning provided in the first paragraph hereof.

"Default" shall mean any event, act or condition which would become an Event of Default with the giving of notice or after the lapse of time, or both.

"Default Rate" shall have the meaning provided in Section 2.5(b).

"Environmental Laws" shall mean all federal and state laws and regulations relating to pollution or to the emission, discharge or release into the environment of chemicals, wastes or other substances having the potential to adversely affect human health or the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

"ERISA Affiliate" shall mean any Person which is treated as a single employer with the Company under Sections 414(b) and (c) of the Internal Revenue Code of 1986, as amended.

"Event of Default" shall have the meaning provided in Section 6.

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System as constituted from time to time.

"GAAP" shall mean United States generally accepted accounting principles as in effect from time to time.

"Guaranty" shall mean the Guaranty executed by the Guarantor in favor of Craig substantially in the form of Exhibit B.  
-----

"Guarantor" shall have the meaning provided in the first paragraph hereof.

"Guarantor Consolidated Tangible Net Worth" shall mean the total assets less the total liabilities of the Guarantor and its Subsidiaries on a consolidated basis determined in conformity with GAAP, less the book value of all assets of the Guarantor and its Subsidiaries on a consolidated basis which constitute intangibles determined in conformity with GAAP.

"Indebtedness" shall mean all obligations, contingent and otherwise, which in conformity with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including, without limitation, in any event and whether or not so classified (but only to the extent classified as a liability or referred to in a footnote in conformity with GAAP): (i) all debt and similar monetary obligations, whether direct or indirect; (ii) all liabilities secured by any Lien existing on

property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (iii) all guarantees, endorsements and other contingent obligations whether direct or indirect in respect of Indebtedness of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies, or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer of any letters of credit.

"Indemnified Parties" shall have the meaning provided in Section 7.2.

"Interest Payment Date" shall mean the last day of each calendar month and the Maturity Date.

"Investment" shall mean, as applied to any Person, any direct or indirect purchase or other acquisition of, or beneficial interest in, stock or other securities (debt or equity) of any other Person or any direct or indirect loan advance or capital contribution to any Person other than a Subsidiary.

"Lien" shall mean any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Loan Commitment" shall have the meaning provided in Section 2.1.

"Loan Documents" shall mean this Agreement, the Note, the Guaranty, the Pledge Agreement and all documents and instruments delivered hereunder or thereunder by the Company and the Guarantor.

"Loans" shall have the meaning provided in Section 2.1.

"Material Adverse Effect" shall mean a material adverse effect upon (i) any of the Real Property, (ii) the business, operations, properties, assets, prospects or condition (financial or otherwise) of the Company or of the Guarantor and its Subsidiaries, taken as a whole, or (iii) the ability of the Company to perform, or of Craig to enforce, any of the Obligations. As used herein, an act or event shall be deemed to "materially adversely affect" or "materially impair" something only if it would have a Material Adverse Effect.



"Maturity Date" shall have the meaning provided in Section 2.6.

"Note" shall have the meaning provided in Section 2.4.

"Notice of Borrowing" shall have the meaning provided in Section 2.2.

"Obligations" shall mean all indebtedness, obligations and liabilities of the Company to Craig, individually or collectively, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or in respect of Loans made and the Note or other instruments at any time evidencing any thereof.

"Option Agreement" shall mean an option agreement executed by Fidelity Federal Bank FSB in favor of the Guarantor substantially in the form of Exhibit D entitling the Guarantor to purchase the real properties described therein for the purchase price set forth therein.

"Permitted Liens" shall mean Liens in favor of Craig and the following Liens: (i) Liens in favor of Fidelity Federal Bank FSB to the extent they secure not more than \$14,000,000 principal amount of Indebtedness of the Company or any other Person to Fidelity Federal Bank; (ii) Liens for taxes, assessments or governmental charges or claims the payment of which is not, at the time, due; (iii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if a reserve or other appropriate provision, as required by GAAP, has been made therefor; (iv) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts and performance bonds and other similar obligations (exclusive of obligations for the payment of borrowed money); (v) any attachment or judgment Lien not constituting a Default or Event of Default; (vi) easements, rights-of-way, restrictions, minor defects, encroachments or irregularities in title and other similar charges or encumbrances not materially interfering with the ordinary conduct of the business of the Company, including without limitation, such matters as are reflected in the title policies issued or to be issued with respect to the Real Property by Chicago Title Company on or before the Closing Date; (vii) Liens in existence on or arising after the date hereof to the extent they secure

Indebtedness described on Schedule 2 and as approved by Craig; (viii) Liens

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arising after the Closing Date and securing Indebtedness incurred in connection with the acquisition of assets, provided that such Liens extend only to the assets so acquired; and (ix) other Liens with respect to obligations incurred or arising after the Closing Date which do not in the aggregate exceed \$100,000.

"Person" shall mean an individual or a partnership, trust, corporation, limited liability company, business trust, joint stock company, unincorporated association, joint venture or other entity of whatever nature.

"Pledge Agreement" shall mean the Pledge Agreement executed by the Guarantor in favor of Craig substantially in the form of Exhibit C with respect to all issued and outstanding shares of capital stock of the Company.

"Pledged Shares" shall mean, collectively, the "Pledged Shares" as defined in the Pledge Agreement.

"Prime Rate" shall mean the rate of interest per annum published from time to time in the Wall Street Journal, Western Edition, as the prime or base rate paid on corporate loans as quoted by at least 75% of the 30 largest banks in the United States, provided, that if the Wall Street Journal, Western Edition, discontinues publishing such rate, the rate published from time to time by Bank of America NT&SA as its reference rate. Each change in the Prime Rate is to be effective hereunder as of the opening of business on the day such change is published.

"Real Property" shall mean the real properties owned or acquired by the Company on the Closing Date as more particularly described on Schedule 1 hereto.

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"Restricted Payment" shall mean any dividend, direct or indirect, on account of any shares of any class of stock now or hereafter outstanding, except a dividend payable solely in shares of that class of stock to the holders of that class; any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock now or hereafter outstanding; and any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock now or hereafter outstanding.

"Subsidiary" shall mean, with respect to any Person, any corporation, association, trust or other business entity of which such Person shall at any time own directly or indirectly at least a majority of the outstanding capital stock or other interests entitled to vote generally.

SECTION 2. AMOUNT AND TERMS OF LOAN COMMITMENT

Section 2.1 Loans and Loan Commitment. Subject to and upon the terms and

conditions herein set forth, Craig agrees, at any time and from time to time on and after the Closing Date and prior to the Maturity Date, to make loans (collectively, "Loans") to the Company in an aggregate principal amount of \$8,200,000 (the "Loan Commitment"). Loans may be voluntarily prepaid pursuant to Section 2.7, and any amount so prepaid may not be reborrowed. The Loan Commitment shall expire, and each Loan shall mature on, the Maturity Date, without further action on the part of Craig.

Section 2.2 Notice of Borrowing. Whenever the Company desires to borrow

(a "Borrowing") a Loan hereunder, it shall give Craig notice (a "Notice of Borrowing"), which shall specify (i) the amount of the proposed Borrowing, and (ii) a date not less than five Business Days after Craig's receipt of such Notice of Borrowing on which the requested Loan is to be made.

Section 2.3 Disbursement of Funds. Subject to the conditions set forth

in Section 3, on the date specified in each Notice of Borrowing complying with Section 2.2 Craig will make the Loan requested to be made on such date in United States dollars and immediately available funds by wire transfer to an account to be designated by the Company for such purpose.

Section 2.4 Note. The Loans shall be evidenced by the promissory note of

the Company (the "Note") in substantially the form of Exhibit A, representing

the obligation of the Company to pay the Loan Commitment or, if less, the aggregate unpaid principal amount of all Loans made by Craig hereunder, plus interest accrued thereon, as set forth below. The Company irrevocably authorizes Craig to make or cause to be made, in connection with any Loan or at the time of receipt of any payment of principal on the Note, an appropriate notation on Craig's records reflecting the making of such Loan or the receipt of such payment, as the case may be. At the Company's request, Craig shall promptly deliver to the Company a copy of such records, and unless the Company shall promptly thereafter notify Craig of an error in such records, the outstanding amount of the Loans set forth on Craig's records shall be prima facie evidence of the principal amount thereof owing and unpaid to Craig, but the failure to record, or any error in so recording, any such amount shall not limit or otherwise affect the obligations of the Company hereunder or under the Note to make payments of principal of or interest on the Note when due.

Section 2.5 Interest.

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(a) The Company agrees to pay interest on the unpaid principal amount of each Loan from the date of the making of such Loan until such Loan shall be paid in full at a rate equal to the sum of 3% per annum plus the Prime Rate in effect from time to time, such interest to be computed on the basis of a 365-day year of actual-day months. Interest with respect to each Loan shall be payable in arrears on each Interest Payment Date.

(b) In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal amount of all Loans and, to the extent permitted by law, overdue interest in respect of all Loans, shall bear interest at a rate per annum (the "Default Rate") equal to the sum of 4.5% per annum plus the Prime Rate in effect from time to time.

(c) Notwithstanding any other term of this Agreement or the Note or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any Person liable hereunder or under the Note by Craig shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law, so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any Person liable therefor such lawful maximum, and any term of this Agreement, the Note or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

Section 2.6 Term; Maturity Date; Acceleration.

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(a) The term of the Loan Commitment and all Loans shall expire on the first anniversary of the Closing Date. So long as no Material Adverse Event shall have occurred since the Closing Date and no Default shall have occurred and be continuing, however, and subject to the payment of the extension fee provided for in Section 2.9, the Company shall be entitled to extend the term of the Loan Commitment and the Loans for a period of up to six months following first anniversary of the Closing Date upon written notice to Craig on or before the date 90 days prior to the first anniversary of the Closing Date. The first anniversary of the Closing Date, or the date of the last day of any extended term of the Loans as aforesaid, is referred to herein as the "Maturity Date." The aggregate principal amount of the Loans outstanding, together with interest accrued thereon, shall be due and payable in full on the Maturity Date.

(b) The provisions of paragraph (a) above notwithstanding, in the event of and upon the consummation of a Change in Control, at Craig's option, the Loan Commitment shall immediately terminate, without any notice or other action on the part of Craig, and the unpaid principal amount of and all accrued interest on the Loans and any and all other Obligations shall become immediately due and payable in full and shall be paid by the Company.

Section 2.7 Optional Prepayments. The Company shall have the right to prepay the Loans, in whole or from time to time in part, without premium or penalty, including without limitation, in connection with any permitted sales of the Real Property as provided in Section 5.2(e).

Section 2.8 Commitment Fee. The Company shall pay Craig on the Closing Date a commitment fee of \$205,000.

Section 2.9 Extension Fee. The Company shall pay Craig an extension fee of \$82,000 in connection with and as a condition to an election by the Company to extend the term of the Loans as provided in Section 2.6(a), of which \$41,000 shall be paid concurrently with the Company's notice to Craig of such election and \$41,000 shall be paid on or before the first anniversary of the Closing Date.

Section 2.10 Facility Fee. The Company shall pay Craig a facility fee at the rate of 0.5% per annum on the unused portion of the Loan Commitment during each calendar month or portion thereof from the Closing Date to the Maturity Date, which shall be payable in arrears on the first day of each calendar month for the immediately preceding month, with the final payment on the Maturity Date.

Section 2.11 Expenses. The Guarantor shall pay or reimburse Craig for all reasonable out-of-pocket costs and expenses, including reasonable attorneys' fees and disbursements not to exceed \$100,000 in the aggregate, incurred or to be incurred by Craig in connection with the preparation of this Agreement and the other Loan Agreements, the making of all Loans hereunder and monitoring the Loan Commitment and the Loans hereunder. Craig acknowledges receipt from the Guarantor of a \$25,000 advance against such expenses. The Guarantor agrees to promptly replenish such \$25,000 advance upon Craig furnishing the Guarantor with reasonable documentation of such expenses. This provision is exclusive of the Company's obligations under Section 7.1 to pay any costs of enforcement or collection and certain other costs that may be incurred by Craig.

Section 2.12 Method and Place of Payment. All payments and prepayments

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under this Agreement and the Note shall be made to Craig when due hereunder in United States dollars in immediately available funds by certified or cashier's check or wire transfer to an account of Craig to be designated by it for this purpose. Whenever any payment to be made hereunder or under the Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension. All payments made by the Company hereunder and under the Note shall be made irrespective of, and without any reduction for, any setoff or counterclaim.

SECTION 3. CONDITIONS PRECEDENT

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Section 3.1 Conditions Precedent to Initial Loan. The obligation of

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Craig to make the initial Loan is subject to the satisfaction of Craig on the Closing Date of the following conditions precedent:

(a) Craig shall have received executed copies of this Agreement and all other Loan Documents.

(b) Craig shall have received the Certificate of Incorporation of the Company, as amended, modified or supplemented to the Closing Date, certified to be true, correct and complete by the Secretary of State of Delaware as of a recent date, together with a good standing certificate from such Secretary of State and a good standing certificate from the Secretary of State of California and the Secretary of State (or other appropriate officer) of each other State in which the Company is required to be qualified to transact business, each to be dated as of a recent date prior to the Closing Date.

(c) Craig shall have received a certificate of the Secretary or Assistant Secretary of the Company dated the Closing Date certifying as to (i) the names and true signatures of the incumbent officers of the Company authorized to sign the Loan Documents, (ii) the By-Laws of the Company as in effect on the Closing Date, (iii) the resolutions of the Board of Directors of the Company approving and authorizing the execution, delivery and performance of all Loan Documents to which it is a party, and (iv) that there have been no changes in the Certificate of Incorporation, the By-Laws or such resolutions of the Company.

(d) Craig shall have received an opinion satisfactory to it of in-house counsel dated the Closing Date with respect to such legal matters as Craig may request.

(e) Craig shall have received the stock certificates evidencing the Pledged Shares, accompanied by irrevocable undated stock powers duly endorsed in blank, all in form and substance satisfactory to Craig.

(f) Craig shall have been paid all fees and expenses to be paid under this Agreement on or before the Closing Date.

(g) The Office of Thrift Supervision shall have approved the elimination of the net worth maintenance provision in the Guarantor's authorization to become a Savings and Loan Association Holding Company and the grant of the Option Agreement by Fidelity Federal Bank FSB to the Guarantor.

(h) The Guarantor and the Company shall have not more than \$28,000,000 of Indebtedness in the aggregate.

(i) The Option Agreement shall have been granted to the Guarantor and shall have been duly sold, assigned, transferred and conveyed by the Guarantor to the Company.

Section 3.2 Conditions Precedent to All Loans. The obligation of Craig

to make the initial Loan to be made on the Closing Date and each other Loan hereunder is subject to the satisfaction of Craig on the date such Loan is made of the following conditions precedent:

(a) The representations and warranties of the Company and the Guarantor contained herein and in the other Loan Documents shall be true and correct in all material respects on such date, both before and after giving effect to the making of such Loan, as if made on such date.

(b) The Real Property shall have a book value determined in conformity with GAAP of not less than \$18,500,000.

(c) The Consolidated Guarantor Tangible Net Worth shall be not less than \$14,000,000.

(d) No Change in Control shall have occurred since the Closing Date.

(e) No Default or Event of Default shall have occurred and be continuing on such date either before or after giving effect to the making of such Loan.

(f) No event shall have occurred since the Closing Date which had or will have a Material Adverse Effect.

(g) Craig shall have received on a timely basis a Notice of Borrowing in respect of the Loan to be made on such date.

(h) Craig shall have received such evidence of the satisfaction of the applicable conditions set forth in this Section 3 and such other documents and instruments as it may request.

The Company's acceptance of the proceeds of each Loan shall constitute a representation and warranty by the Company to Craig that all of the conditions required to be satisfied under this Section 3 in connection with the making of such Loan have been satisfied.

SECTION 4. REPRESENTATIONS AND WARRANTIES  
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Section 4.1 Representations and Warranties of the Company. In order to  
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induce Craig to enter into this Agreement and to make the Loans, as of the date of this Agreement the Company makes the following representations and warranties, which shall survive the execution and delivery of this Agreement and the Note and the making of the Loans:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware. The Company has the requisite corporate power and authority to own the Real Property and its other assets and to transact the business in which it is engaged and proposes to engage and is duly qualified and authorized to do business and is in good standing as a foreign corporation in California and in every other jurisdiction in which it owns or leases Real Property or in which the nature of its business requires it to be so qualified, except where the failure to so qualify, individually or in the aggregate, would not have a Material Adverse Effect.

(b) The Company has the requisite corporate power and authority to execute, deliver and carry out the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance by it of such Loan Documents. The Company has duly executed and delivered each Loan Document to which it is a party and each such Loan Document constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except in each case as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).



(c) Neither the execution, delivery or performance by the Company of the Loan Documents to which it is a party, nor compliance by it with the terms and provisions thereof nor the consummation of the transactions contemplated thereby, (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality or (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose), any Lien upon any of the Real Property or the assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which it or any of the Real Property or its other assets is bound or to which the Company or any of the Real Property or its other assets may be subject, or (iii) will violate any provision of the Certificate of Incorporation or the By-Laws of the Company.

(d) The execution, delivery and performance by the Company of the Loan Documents and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

(e) The Company has, or will have as of the Closing Date, good, sufficient and legal title to the Real Property and all of its other assets, including without limitation, the Option Agreement, free and clear of all Liens other than Permitted Liens.

(f) There are no actions, suits, proceedings or investigations of any kind pending or, to the best of the Company's knowledge, threatened against the Company before any court, tribunal or administrative agency or board which, if adversely determined, would, either in any case or in the aggregate, materially adversely affect the Real Property or the business of the Company, or materially impair the right of the Company to carry on business substantially as conducted and proposed to be conducted, or result in any material liability not adequately covered by insurance or for which adequate reserves are not maintained on the balance sheet of the Company, or which question the validity of any of the Loan Documents or any action taken or to be taken pursuant hereto or thereto.

(g) The Company has made or filed all federal and state income and all other tax returns, reports and declarations, if any, required by any jurisdiction to which it is subject (unless and only to the extent that the Company has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes); and has paid all

taxes and other governmental assessments and charges that are material in amount, if any, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith. There are no unpaid taxes in any material amount claimed to be due from the Company by the taxing authority of any jurisdiction.

(h) No Default or Event of Default has occurred and is continuing.

(i) Except with respect to Permitted Liens, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future Lien on any Real Property or other assets of the Company or rights thereunder.

(j) The Company does not and has never maintained any "employee benefit plan" within the meaning of ERISA and is not and has never been a sponsor of, or contributor to, a "guaranteed pension plan" within the meaning of ERISA. Neither the Company nor any ERISA Affiliate has incurred any material liability (including secondary liability) to any "multiemployer plan" within the meaning of ERISA as a result of a complete or partial withdrawal from such multiemployer plan under (S) 4201 of ERISA or as a result of a sale of assets described in (S) 4204 of ERISA. Neither the Company nor any ERISA Affiliate has been notified that any multiemployer plan is in reorganization or is insolvent under and within the meaning of (S) 4241 or (S) 4245 of ERISA or that any multiemployer plan intends to terminate or has been terminated under (S) 4041A of ERISA.

(k) No proceeds of the Loans shall be used in any way that will violate Regulations G, T, U or X of the Federal Reserve Board.

(l) To the best of the Company's knowledge, neither the Company nor any operator of the Real Property is in violation, or alleged violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under Environmental Laws, which violation could have a Material Adverse Effect. None of the Real Property is or shall be subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation by virtue of the transactions set forth herein and contemplated hereby.

(m) The authorized capital stock of the Company consists of 1,000 shares of common stock, \$.01 par value per share, of which 1,000 shares have been issued and are

outstanding, fully paid and nonassessable. There are no outstanding warrants, options, agreements, convertible securities or other commitments pursuant to which the Company is or may become obligated to issue any shares of the capital stock or other securities of the Company.

(n) The Company has no Subsidiaries.

Section 4.2 Representations and Warranties of the Guarantor. In order to  
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induce Craig to enter into this Agreement and to make the loans, the Guarantor makes the following representations and warranties, which shall survive the execution and delivery of this Agreement and the Note and the making of the loans:

(a) The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is duly qualified and authorized to do business and is in good standing as a foreign corporation in California.

(b) The Guarantor has the requisite corporate power and authority to execute, deliver and carry out the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance by such Loan Documents. The Guarantor had duly executed and delivered each Loan Document to which it is a party and each such loan Document constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except in each case as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors rights generally and by general principals of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) Neither the execution, delivery or performance by the Guarantor of the Loan Documents to which it is a party, nor compliance by it with the terms and provisions thereof nor the consummation of the transaction as contemplated thereby, (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality or (ii) will violate any provision of the Certificate of Incorporation or the By-laws of the Guarantor.

(d) The execution, delivery and performance by the Guarantor of the Loan Documents and the transactions contemplated hereby and thereby do not require any approval or consent of, or filing with, any governmental agency or authority other than those already obtained.

(e) The Guarantor owns of record and beneficially all of the outstanding capital stock of the Company.

(f) There are no actions, suits, proceedings or investigations of any kind pending or, to the best of the Guarantor's knowledge, threatened against the Guarantor or any of its Subsidiaries before any court, tribunal or administrative agency or board which, if adversely determined, would, either in any case or in the aggregate, materially adversely affect the business of the Guarantor and its Subsidiaries, or materially impair the right of the Guarantor and its Subsidiaries to carry on business substantially as conducted and proposed to be conducted, or result in any material liability not adequately covered by insurance or for which adequate reserves are not maintained on the consolidated balance sheet of the Guarantor and its Subsidiaries, or which question the validity of any of the Loan Documents or any action taken or to be taken pursuant hereto or thereto.

(g) The Guarantor and its Subsidiaries have made or filed all federal and state income and all other tax returns, reports and declarations, if any, required by any jurisdiction to which they are subject (unless and only to the extent that the Guarantor or its Subsidiaries have set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes or are otherwise contesting such taxes in good faith by appropriate proceedings); and have paid all taxes and other governmental assessments and charges that are material in amount, if any, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith. There are no unpaid Taxes in any material amount claimed to be due from the Guarantor or its Subsidiaries by the taxing authority of any jurisdiction.

SECTION 5. COVENANTS  
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Section 5.1 Affirmative Covenants of the Company. The Company covenants

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and agrees that on and after the Closing Date and until the Loan Commitment has terminated and the Obligations are paid in full:

(a) The Company will duly and punctually pay or cause to be paid the principal amount of and interest on the Loans and all other Obligations in accordance with the terms of this Agreement and the other Loan Documents.

(b) The Company will furnish Craig such financial statements of the Company and its Subsidiaries as the Company may from time to time file with the Securities and Exchange Commission or, if the Company is not required to file financial statements with the Securities and Exchange Commission, such comparable financial statements as Craig may reasonably request.

(c) The Company will maintain a Company Tangible Net Worth in an amount not less than the quotient of 1.3 times the aggregate principal amount of all Loans then outstanding, provided, that in determining such Company Tangible Net Worth the principal amount of and accrued interest (other than any past-due interest) on the Loans shall be excluded.

(d) The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises except where the failure to do so would not, individually or in the aggregate, result in a Material Adverse Effect.

(e) The Company will comply in all material respects with all applicable laws, rules, statutes, regulations, decrees and orders of, and all applicable restrictions imposed by, all governmental bodies (including any court, agency, department and commission) in respect of the conduct of its businesses and the ownership of the Real Property and its other assets.

(f) The Company will pay all taxes, assessments and other governmental charges imposed upon it, or in respect of any of its franchises, businesses, income or properties before any penalty or interest accrues thereon, and all claims (including claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of the Real Property or its other assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

(g) The Company will maintain or cause to be maintained in good repair, working order and condition the Real Property and all other material assets used or useful in the business of the Company and from time to time make or cause to be made all appropriate repairs, renewals and replacements thereof, and adopt practices with respect to each Real Property which a prudent operator would adopt, including practices with respect to construction, operating and capital programs.

(h) The Company will maintain or cause to be maintained with financially sound and reputable insurers, insurance with respect to its business, the Real Property and its other assets against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and

similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations.

(i) The Company will permit any authorized representatives designated by Craig to visit and inspect the Real Property and any other assets of the Company, including its books and records, and to make copies and take extracts therefrom, and to discuss its affairs, finances and accounts with its officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested. The Company shall reimburse Craig for its reasonable out-of-pocket expenses incurred in connection with visits to the Real Property as aforesaid, provided, that the Company shall not be obligated to reimburse such expenses in connection with more than one visit to a particular Real Property in any 12-month period. Upon the Company's request, Craig and its representatives will enter into a confidentiality agreement in form and content mutually agreeable to the Company and Craig in connection with visits or inspections pursuant to this subparagraph (i).

(j) The Company will keep adequate records and books of account, in which complete entries will be made, reflecting all transactions of the Company in accordance with GAAP.

Section 5.2 Negative Covenants of the Company. So long as the Note shall  
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remain unpaid or Craig shall have any Loan Commitment hereunder, without the prior written consent of Craig:

(a) The Company will not incur or permit to exist any Indebtedness at any time outstanding except (i) Indebtedness to Craig arising under this Agreement or the other Loan Documents; (ii) current liabilities of the Company incurred in the ordinary course of business and not incurred through the borrowing of money or the obtaining of credit except for credit on an open-account basis customarily extended, and in fact extended, in connection with normal purchases of goods and services; and (iii) Indebtedness with respect to Permitted Liens.

(b) The Company will not create or suffer to exist any Lien upon or with respect to any of its assets, (including, without limitation, any Real Property or personal property, tangible or intangible, of the Company) whether now owned or hereafter acquired, or upon or with respect to any proceeds therefrom, or assign, or permit any of its Subsidiaries to assign, any accounts receivable or other right to receive income or proceeds, other than Permitted Liens.

(c) The Company will not declare, order, pay, make or set apart any sum for any Restricted Payment other than Restricted Payments to the Guarantor that are made in the ordinary course of business out of the Company Cash Flow in payment or reimbursement of the Guarantor's general and administrative expenses so long as (i) the Guarantor Consolidated Tangible Net Worth is not less than \$14,000,000 after giving effect to such Restricted Payment and the payment of such expenses and (ii) no Default hereunder shall have occurred and be continuing.

(d) The Company will not make or permit to exist or to remain outstanding any Investment other than (i) marketable direct or guaranteed obligations of the United States which mature within one year from the date of purchase, (ii) certificates of deposit, time deposits or repurchase agreements which are fully insured or are issued by commercial banks organized under the laws of the United States or any state thereof and having a combined capital, surplus, and undivided profits or not less than \$100,000,000, and (iii) commercial paper issued by a corporation organized and existing under the laws of the United States of America or any state thereof which at the time of purchase have been rated and the ratings for which are not less than "P-1" if rated by Moody's Investors Services, Inc., and not less than "A-1" if rated by Standard and Poor's.

(e) The Company will not (i) alter its corporate, capital or legal structure; (ii) liquidate, wind-up or dissolve; (iii) consolidate with or merge into any Person; (iv) sell, convey, lease, transfer, sublease or otherwise dispose of, in one transaction or a series of transactions, all or any part of the Real Property or any other assets, except that the Company may convey, sell, lease, transfer or otherwise dispose of the Real Property or other assets in one or more transactions, provided, that the proceeds thereof to the Company are (A) promptly reinvested in the Real Property, (B) used to acquire other real property or other assets or (C) applied to repay and retire outstanding Loans as provided in Section 2.7; (v) create a Subsidiary; or (vi) engage in any type of business other than the type of business conducted by the Company on the Closing Date.

SECTION 6. EVENTS OF DEFAULT  
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Section 6.1 Events of Default. Each of the following events, acts,  
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occurrences or conditions shall constitute an "Event of Default" under this Agreement, regardless of whether such event, act, occurrence or condition is voluntary or involuntary or results from the operation of law or pursuant to or as a result of compliance by any Person with any judgment, decree, order, rule or regulation of any court or administrative or governmental body:

(a) The Company shall (i) default in the payment when due of any principal amount of the Loans or (ii) default in the payment when due of any interest on the Loans or in the payment when due of any other amounts owing hereunder and such default shall continue unremedied for three or more Business Days.

(b) Any representation or warranty made by the Company or the Guarantor herein or in the other Loan Documents or in any certificate or statement delivered pursuant hereto or thereto shall prove to be false or misleading in any material respect on the date as of which made or deemed made.

(c) The Company or the Guarantor shall fail to perform or observe any other material agreement, covenant or obligation arising hereunder and such failure shall continue for 30 or more days.

(d) The Company or the Guarantor shall default in the payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) of any amount owing in respect of any Indebtedness (other than the Obligations) in the aggregate principal amount of \$25,000 or more, provided, however, that such a default shall not constitute any Event of Default hereunder so long as it is being contested in good faith by the Company in an appropriate proceeding and the amount of the Indebtedness involved does not exceed \$250,000; or the Company shall default in the performance or observance of any obligation or condition with respect to any such Indebtedness or any other event shall occur or condition exist, if the effect of such default, event or condition is to accelerate the maturity of any such Indebtedness or to permit (without regard to any required notice or lapse of time) the holder or holders thereof, or any trustee or agent for such holders, to accelerate the maturity of any such Indebtedness, or any such Indebtedness shall become or be declared to be due and payable prior to its stated maturity other than as a result of a regularly scheduled payment.

(e) (i) The Company or the Guarantor shall commence a voluntary case concerning itself under the Bankruptcy Code; or (ii) an involuntary case is commenced against the Company or the Guarantor and the petition is not converted within ten days, or is not dismissed within 30 days, after commencement of the case; or (iii) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the assets of the Company or the Guarantor or the Company or the Guarantor commences any other proceedings under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or the Guarantor or there is commenced against the



Company or the Guarantor any such proceeding which remains undismissed for a period of 30 days; or (iv) any order of relief or other order approving any such case or proceeding is entered; or (v) the Company or the Guarantor is adjudicated insolvent or bankrupt; or (vi) the Company or the Guarantor suffers any appointment of any custodian or the like for it or any substantial part of its assets to continue undischarged or unstayed for a period of 30 days; or (vii) the Company or the Guarantor makes a general assignment for the benefit of creditors; or (viii) the Company or the Guarantor shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or (ix) the Company or the Guarantor shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or (x) the Company or the Guarantor shall by any act or failure to act consent to, approve of or acquiesce in any of the foregoing; or (xi) any corporate action is taken by the Company or the Guarantor for the purpose of effecting any of the foregoing.

(f) The Guarantor shall be in breach or default in any material respect under the Guaranty or the Pledge Agreement or the Guaranty or the Pledge Agreement shall, at any time, cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Company or any other person, or Craig shall not have, or shall cease to have, a valid and perfected first priority security interest in the Pledged Shares.

(g) One or more judgments, orders or decrees shall be entered against the Company or the Guarantor involving in the aggregate a liability (not paid or fully cured by insurance) equal to or greater than \$25,000, or such judgment, orders or decrees shall decree the dissolution or split up of the Company, and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within 30 days from the entry thereof.

Section 6.2 Rights and Remedies. Upon the occurrence of any Event of

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Default described in Section 6.1(e), the Loan Commitment shall automatically and immediately terminate and the unpaid principal amount of and any and all accrued interest on the Loans and any and all other Obligations shall automatically become immediately due and payable without presentation, demand, or protest or other requirements of any kind, all of which are hereby expressly waived by the Company, and the obligation of Craig to make any Loan hereunder shall thereupon terminate; and upon the occurrence and during the continuance of any other Event of Default, Craig may in its sole discretion by written notice to Company (i) declare that the Loan Commitment is terminated, whereupon the Loan Commitment and the obligation of Craig to make any Loan hereunder

shall immediately terminate, and (ii) declare the unpaid principal amount of and any and all accrued and unpaid interest on the Loans and any and all other Obligations to be, and the same shall thereupon be, immediately due and payable without presentation, demand, or protest or other requirements of any kind, all of which are hereby expressly waived by the Company. Upon occurrence of an Event of Default and acceleration of the maturity of the Obligations as set forth above, Craig may immediately exercise its rights and remedies under the Guaranty and the Pledge Agreement or applicable law.

SECTION 7. MISCELLANEOUS  
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Section 7.1 Costs and Expenses. The Company agrees to pay all  
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reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by Craig in connection with any amendments, modifications or waivers of the provisions of any of the Loan Documents (whether or not the transactions thereby contemplated shall be consummated) or incurred by Craig in connection with actions reasonably taken to enforce or protect its rights in connection with this Agreement or the other Loan Documents or with the Loans made or the Note issued hereunder.

Section 7.2 Indemnification. Whether or not the transactions  
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contemplated hereby shall be consummated, the Company agrees to indemnify, pay and hold Craig and its shareholders, officers, directors, employees and agents harmless from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not any of the foregoing Persons is a party to any litigation), including attorneys' fees and costs and costs of investigation, document production, attendance at a deposition or other discovery, with respect to or arising out of this Agreement, any other Loan Document or any use of proceeds hereunder, or any claim, demand, action or cause of action being asserted against the Company (collectively, the "Indemnified Liabilities"), provided that the Company shall have no obligation hereunder with respect to claims hereunder by the Company or the Guarantor against Craig or Indemnified Liabilities arising from the gross negligence or willful misconduct of any such Persons. If any claim is made, or any action, suit or proceeding is brought, against any Person indemnified pursuant to this Section 7.2, the indemnified Person shall notify the Company of such claim or of the commencement of such action, suit or proceeding, but the failure to so notify the Company shall not relieve the Company from any liability hereunder except to the extent that the Company is actually prejudiced thereby. Craig and the other Persons indemnified pursuant to this Section 7.2 shall be entitled to defend against any claim or any action, suit or proceeding and in connection therewith to employ counsel selected by it and reasonably satisfactory to the Company, and the Company agrees to advance the

reasonable costs and expenses (including reasonable attorneys' fees and disbursements) of such defense promptly upon the request of Craig or such Person.

Section 7.3 Notices. Except as otherwise expressly provided herein, all  
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notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy, telex, or cable communication), and shall be deemed to have been duly given or made when delivered by hand, or on the third Business Day after being deposited in the United States mail, postage prepaid, or, in the case of telex notice, when sent, answerback received, or, in the case of telecopy notice, when sent, or, in the case of a nationally recognized overnight courier service, one Business Day after delivery to such courier service, addressed, in the case of each party hereto, at its address specified below, or to such other address as may be designated by any party in a written notice to the other party hereto:

If to the Company: Citadel Realty, Inc.  
600 North Brand Boulevard  
Glendale, CA 91203  
Attention: Steve Wesson

If to the Guarantor: Citadel Holding Corporation  
600 North Brand Boulevard  
Glendale, CA 91203

If to Craig: Craig Corporation  
116 North Robertson Boulevard  
Suite 609  
Los Angeles, CA 90048  
Attention: S. Craig Tompkins

Section 7.4 Successors and Assigns. This Agreement shall be binding upon  
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and inure to the benefit of the Company and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Craig.

Section 7.5 Amendments and Waivers. Neither this Agreement, the Note,  
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nor any terms hereof or thereof may be amended, supplemented, modified or waived except in a writing executed by the Company and Craig.

Section 7.6 No Waiver; Remedies Cumulative. No failure or delay on the  
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part of Craig in exercising any right, power or privilege hereunder or under the Note and no course of dealing between the parties hereto shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under the Note pre-

clude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which Craig would otherwise have. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Craig to any other or further action in any circumstances without notice or demand.

Section 7.7 Governing Law and Consent to Jurisdiction; Waiver of Jury

Trial.

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(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflicts of laws. The Company and the Guarantor hereby irrevocably submit to the non-exclusive jurisdiction of the District Court of the United States for the Central District of California in any action, suit or proceeding brought against it and related to or in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, and to the extent permitted by applicable law, the Company and the Guarantor hereby waive and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that they are not personally subject to the jurisdiction of such courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that this Guaranty or any document or any instrument referred to herein or the subject matter hereof may not be litigated in or by such courts or any immunity, sovereign or otherwise. To the extent permitted by applicable law, the Company and the Guarantor agree not to seek and hereby waive the right to any review of the judgment of any such court by any court of any jurisdiction other than the Central District of California which may be called upon to grant an enforcement of such judgment.

(b) The Company and the Guarantor hereby consent to service of process by mail or courier service or hand delivery in any suit, action or other proceeding arising out of this Guaranty or the subject matter hereof or any of the transactions contemplated hereby in such District of California courts.

(c) THE COMPANY AND THE GUARANTOR, AND CRAIG BY ITS ACCEPTANCE HEREOF, WAIVES ALL RIGHT TO TRIAL BY JURY OF ALL CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS OF ANY AND ARISING FROM OR RELATING TO THIS GUARANTY OR THE LOAN DOCUMENTS. THE COMPANY AND THE GUARANTOR ACKNOWLEDGE THAT THIS IS A WAIVER OF A LEGAL RIGHT AND THAT THEY MAKE THIS WAIVER VOLUNTARILY AND KNOWINGLY AFTER CONSULTATION WITH

COUNSEL OF THEIR CHOICE. THE COMPANY AND THE GUARANTOR AGREE THAT ALL SUCH CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS SHALL BE TRIED BEFORE A JUDGE OF A COURT OF COMPETENT JURISDICTION, WITHOUT A JURY.

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Section 7.8 Counterparts. This Agreement may be executed in any number  
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of counterparts and by the different parties hereto on separate counterparts,  
each of which when so executed and delivered shall be an original, but all of  
which shall together constitute one and the same instrument.

Section 7.9 Headings Descriptive. The headings of the several Sections  
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and subsections of this Agreement are inserted for convenience only and shall  
not in any way affect the meaning or construction of any provision of this  
Agreement.

Section 7.10 Severability. In case any provision in or obligation under  
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this Agreement or the Note shall be invalid, illegal or unenforceable in any  
jurisdiction, the validity, legality and enforceability of the remaining  
provisions or obligations, or of such provision or obligation in any other  
jurisdiction, shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized  
officers to execute and deliver this Agreement as of the date first above  
written.

CITADEL REALTY, INC.

By: /s/ STEVE WESSON

\_\_\_\_\_  
Name: Steve Wesson  
Title: President and Secretary

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood

\_\_\_\_\_  
Name: Richard M. Greenwood  
Title: President and Chief  
Executive Officer

CRAIG CORPORATION

By: /s/ ROBIN SKOPHAMMER

\_\_\_\_\_  
Name: Robin Skophammer  
Title: Chief Financial Officer

SCHEDULE 1

REO Property Schedule

REO Property	Loan No.	Property Type
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Camelback Arboleda Office Complex ("Camelback") 1661 Camelback Rd. Phoenix, AZ		Commercial
Los Feliz Village Apartments ("Veselich") 3939 Veselich Ave. Los Angeles, CA 90039	3027749	Multi-family residential
Summer Glen Apartments ("Harbor City") 23200 S. Western Ave. Harbor City, CA 90710	3027756	Multi-family residential
La Plaza ("Parthenia") 21028 Parthenia Street Canoga Park, CA	N/A	Multi-family Residential

SCHEDULE 2

PERMITTED LIEN

BORROWER & GUARANTOR

1. Indemnity by Guarantor of up to \$4m in favor of FFB associated with Bulk Sale.
2. Unsecured Guarantee by FFB of loan on Arboleda for principal amount of \$4.45m and associated environmental guarantee.



PROMISSORY NOTE  
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\$8,200,000.00

Los Angeles, California  
 August 2, 1994

FOR VALUE RECEIVED, the undersigned CITADEL REALTY, INC., a Delaware corporation ("Maker"), hereby promises to pay to the order of CRAIG CORPORATION, a Delaware corporation with its principal office at 116 North Robertson Boulevard, Suite 609, Los Angeles, California 90048 ("Lender"), the principal sum of Eight Million Two Hundred Thousand Dollars (\$8,200,000.00), together with interest on any and all unpaid principal remaining unpaid hereunder from the date hereof until payment in full.

This Note shall mature on the first anniversary hereof. So long as no Material Adverse Event (as defined in the Credit Agreement dated August 2, 1994 among Maker, Lender and Citadel Holding Corporation, the "Credit Agreement") shall have occurred since the date hereof and no Default (as defined in the Credit Agreement) shall have occurred and be continuing, however, and subject to the payment of the extension fee provided for in Section 2.9 of the Credit Agreement, the Maker shall be entitled to extend the term of this Note for a period of up to six months following first anniversary of the date hereof upon written notice to Lender on or before the date 90 days prior to the first anniversary of the date hereof. The first anniversary of the date hereof, or the date of the last day of any extended term of this Note as aforesaid, is referred to herein as the "Maturity Date." The aggregate principal amount of the Note outstanding, together with interest accrued thereon, shall be due and payable in full on the Maturity Date.

The provisions of the preceding paragraph notwithstanding, in the event of and upon the occurrence of the consummation of a Change in Control (as defined in the Credit Agreement), the unpaid principal amount of and all accrued interest on this Note shall, at the option of Maker or other holder hereof, become immediately due and payable in full without any notice or other action on the part of Lender.

Maker agrees to pay interest on the unpaid principal amount hereunder from the date hereof until such amount shall be paid in full at a rate equal to the sum of 3% per annum plus the rate of interest per annum published from time to time in the Wall Street Journal, Western Edition, as the prime or base rate  
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 paid on corporate loans as quoted by at least 75% of the 30 largest banks in the United States, provided, that if the Wall Street Journal, Western Edition,  
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 ceases publishing such rate, the rate published from time to time by Bank of

America NT&SA as its reference rate (the "Prime Rate"), such interest to be computed on the basis of a 365-day year of actual-day months. Interest with respect to each Loan shall be payable in arrears on the last day of each calendar month and the Maturity Date. Each change in the Prime Rate to be effective as of the opening of business on the day such change is published.

In the event that, and for so long as, any Event of Default (as defined in the Credit Agreement) shall have occurred and be continuing, the outstanding principal amount hereof and, to the extent permitted by law, overdue interest in respect hereof, shall bear interest at a rate per annum equal to the sum of 4.5% per annum plus the Prime Rate in effect from time to time.

This Note may be prepaid, in whole or from time to time in part, without premium or penalty. This Note also is subject to mandatory prepayment in certain circumstances as provided in the Credit Agreement.

All principal and interest hereunder are payable in lawful money of the United States of America without setoff, counterclaim or deduction of any nature at the office of Lender at the address shown above, or at such other place as the holder hereof shall have designated to Maker in writing for such purpose.

Maker, for itself and its legal representatives, successors and assigns, hereby expressly waives presentment, demand, protest, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection and the benefit of any exemption or insolvency laws, and consents that the Lender may release or surrender, exchange or substitute any personal property or other collateral security now held or which may hereafter be held as security for the payment of this Note, and may extend the time for payment or otherwise modify the terms of payment of any part of the whole of the debt evidenced hereby. Upon default in any payment hereunder or in the event of the occurrence or existence of a "Event of Default" as defined in the Credit Agreement, the entire unpaid principal amount hereof and accrued interest thereon shall, at the option of the holder hereof, become due and payable at once without notice, notice of the exercise of such acceleration being hereby expressly waived.

This Note is subject to a Guaranty dated as of the date of this Note from Citadel Holding Corporation ("Guarantor") in favor of Lender, which Guaranty is secured by a pledge of certain shares of capital stock of Maker pursuant to a Pledge Agreement dated as of the date of this Note from Guarantor to Lender.

If this Note is not paid in accordance with the terms hereof, Maker agrees to pay all costs and expenses of collection when incurred, including, without limitation, attorneys' fees and expenses and court costs.

This Note is being delivered and is intended to be performed in the State of California, and shall be governed by and construed and enforced in accordance with the laws of the State of California.

Notwithstanding any other term of this Note or any other document referred to herein, the maximum amount of interest which may be charged to or collected from any person liable hereunder shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law, so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any person liable therefor such lawful maximum, and any term of this Note or any other document referred to herein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

IN WITNESS WHEREOF, Maker has caused this Note to be executed by its duly authorized representative as of the date first above written.

CITADEL REALTY, INC.

By: /s/ STEVE WESSON

\_\_\_\_\_  
Name: Steve Wesson

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Title: President and Secretary  
\_\_\_\_\_

## GUARANTY

THIS GUARANTY (this "Guaranty") is made and entered into as of August 2, 1994 by Citadel Holding Corporation, a Delaware corporation (the "Guarantor"), in favor of Craig Corporation, a Delaware corporation (the "Lender").

Citadel Realty, Inc., a Delaware corporation and wholly owned subsidiary of the Guarantor (the "Debtor"), has requested a loan commitment from the Lender, and the Lender is willing to make the loan commitment to the Debtor upon the terms set forth in the Credit Agreement dated as of the date hereof among the Debtor, the Lender and the Guarantor, together with the Debtor's Promissory Note dated as of the date hereof in the principal amount of \$8,200,000 and certain other documents related thereto (all of the foregoing documents and instruments as amended, restated, modified or supplemented from time to time being hereinafter collectively referred to as the "Loan Documents").

The Debtor and the Guarantor share an identity of interests as members of a combined group of companies and the Guarantor will derive substantial direct and indirect benefits from the Lender's loan or loans made to the Debtor. In order to induce the Lender to enter into the Loan Documents and to make the loans thereunder to the Debtor, the Lender has required as a condition to entering into the Loan Documents that the Guarantor execute and deliver this Guaranty.

NOW, THEREFORE, in consideration of the receipt of \$10.00 and other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor hereby agrees with the Lender as set forth below.

1. Guaranty.  
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(a) The Guarantor hereby unconditionally and irrevocably guarantees to the Lender, its successors, endorsees and/or assigns, the due and punctual performance of and compliance by the Debtor with all of the Debtor's obligations, covenants, agreements and undertakings contained in or arising under the Loan Documents, including but not limited to, the full and punctual performance of the Debtor's obligations under the Loan Documents, and payment by the Debtor, when due, of any and all amounts payable by the Debtor under the Loan Documents, including, without limitation, all obligations, liabilities, indebtedness and other amounts of every kind and description arising out of or due pursuant to the Loan Documents, and all damages payable by the Debtor in respect of the failure or refusal by the Debtor to make any such payment required to be made by it under the Loan Documents, howsoever created,

arising or evidenced, voluntary or involuntary, whether direct or indirect, absolute or contingent, now or hereafter existing or owing to the Lender (all the foregoing obligations, liabilities and undertakings of the Debtor are collectively referred to hereinafter as the "Obligations").

(b) This Guaranty is an absolute, unlimited, unconditional, continuing and irrevocable guaranty of performance and payment (and not simply of collection) of the Obligations. This Guaranty is in no way conditioned upon any attempt to collect from the Debtor or upon any other event or contingency, and shall be binding upon and enforceable against the Guarantor without regard to the validity or enforceability of the Loan Documents, or of any term thereof. Upon the failure for any reason of the Debtor to duly and punctually pay or perform any Obligations, the Guarantor shall immediately pay or perform the same.

(c) The Guarantor agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment to or performance in favor of the Lender of the Obligations or any part thereof is rescinded or must otherwise be returned by the Lender upon the insolvency, bankruptcy or reorganization of the Debtor, or otherwise, as though such payment to or performance in favor of the Lender had not been made.

(d) The Guarantor shall pay all costs, expenses and damages incurred (including, without limitation, reasonable attorneys' fees and disbursements) in connection with the enforcement of the Obligations, to the extent that such costs, expenses and damages are not paid by the Debtor, and in connection with the enforcement of the obligations of the Guarantor under this Guaranty.

2. Guaranty Not Subject to Set-Off, etc. The obligations of the

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Guarantor hereunder shall not be subject to any counterclaim, setoff, deduction or defense (other than payment, performance or affirmative discharge, release or termination of this Guaranty by the Lender) based upon any claim the Guarantor may have against the Lender, the Debtor, any other guarantor from time to time of any or all of the Obligations or any other person and shall remain in full force and effect without regard to, and shall not be released, discharged, reduced or in any way affected by any circumstance or condition (whether or not the Guarantor shall have any knowledge or notice thereof) whatsoever which might constitute a legal or equitable discharge or defense, including, but not limited to, (a) the amending, modifying or supplementing, expressly or impliedly, of the Loan Documents or any other agreement referred to therein, or any other instrument applicable to the Debtor or to the Obligations, or any part thereof; (b) any waiver, consent, change, extension, indulgence or other action or any action or inaction under or in respect of the Loan Documents, or this Guaranty (except

for any written waiver or modification of the provisions of this Guaranty signed by the Lender), whether or not the Lender, the Debtor or the Guarantor has notice or knowledge of any of the foregoing; (c) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to the Guarantor or the Debtor, or their respective properties or their creditors, or any action taken by any trustee or receiver or by any court in any such proceeding; (d) any acceptance of additional security or any release of or non-perfection of any security from any person (with the Guarantor hereby authorizing the Lender to accept or release said security); (e) any limitation on the liability of the Obligations of the Debtor under the Loan Documents (exempt as expressly set forth therein) or any termination, cancellation, frustration or unenforceability, in whole or in part, of any of the Loan Documents, any writing referred to therein or contemplated thereby or any term thereof; (f) any lien, charge or encumbrance on or affecting the Guarantor's or the Debtor's respective assets and properties; (g) any act, omission or breach on the part of the Lender under the Loan Documents, or any other law or governmental regulation applicable to the Lender or any Obligation; (h) any claim as a result of any other dealings among the Lender, the Guarantor, the Debtor or any of them; (i) the assignment or transfer of this Guaranty, any of the Loan Documents (in accordance with and subject to the terms thereof) or any other agreement or instrument referred to in the Loan Documents or contemplated thereby or applicable to the Debtor, or the Obligations by the Lender to any other person; (j) any change in the name of the Lender, the Debtor or any other person referred to herein; or (k) any other circumstance, whether or not similar to any of the foregoing, which might constitute a legal or equitable discharge of the Guarantor's obligations hereunder.

3. Waiver. The Guarantor irrevocably and unconditionally waives: (a)

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notice of any of the matters referred to in Section 2 hereof, (b) to the extent permitted by applicable law, all notices which may be required by statute, rule of law or otherwise to preserve any rights against the Guarantor hereunder, including, without limitation, notice of the acceptance of this Guaranty, or the creation, renewal, extension, modification or accrual of the Obligations or notice of any other matters relating thereto, any presentment, demand, notice of dishonor, protest, nonpayment of any damages or other amounts payable under the Loan Documents; obligation to give any notice required by the Loan Documents; (c) any requirement for the enforcement, assertion or exercise of any right, remedy, power or privilege under or in respect of the Loan Documents, including, without limitation, diligence in collection or protection of or realization upon the Obligations or any part thereof or any collateral therefor; (d) any requirement of diligence; (e) any requirement to mitigate the damages resulting from a default by the Debtor under the Loan Documents; (f) the

occurrence of every other condition precedent to which the Guarantor or the Debtor may otherwise be entitled, except as expressly provided in the Loan Documents; and (g) the right to require the Lender to proceed against the Debtor or any other person liable on the Obligations, to proceed against or exhaust security held from the Debtor, the Guarantor or any other person, or to pursue any other remedy in the Lender's power whatsoever, and the Guarantor waives the right to have the property of the Debtor first applied to the discharge of the Obligations. Without limiting the generality of the foregoing or any other provision hereof, Guarantor hereby expressly waives any and all benefits which might otherwise be available to Guarantor under California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2849, 2850, 2899 and 3433.

The Lender may, at its election, exercise any right or remedy that it may have against the Debtor or any security held by the Lender, including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale, without affecting or impairing in any way the liability of the Guarantor hereunder, except to the extent the Obligations have been paid or satisfied, and the Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation (to the extent not otherwise effectively waived herein) or any other right or remedy of the Guarantor against the Debtor or any such security, whether resulting from such election by the Lender or otherwise. The Guarantor waives any defense arising by reason of any disability or other defense of the Debtor (which other defense of the Debtor may nevertheless be asserted by the Debtor in a separate action or proceeding against the Lender or any other party, so long as the Guarantor has fulfilled its obligations hereunder), or by reason of the cessation from any cause whatsoever of the liability, either in whole or in part, of the Debtor to the Lender for the Obligations (other than as a result of payment, performance or affirmative discharge, release or termination of this Guaranty by the Lender).

The Guarantor understands that the Lender's exercise of certain rights and remedies contained in the Loan Documents may affect or eliminate, to the extent not otherwise effectively waived herein, the Guarantor's rights of subrogation against the Debtor and that the Guarantor may therefore incur partially or totally nonreimbursable liability hereunder; nevertheless, the Guarantor hereby authorizes and empowers the Lender to exercise in its sole discretion, any rights and remedies, or any combination thereof, which may then be available, it being the purpose and intent of the Guarantor that its obligations hereunder shall be absolute, independent, irrevocable and unconditional under any and all circumstances.

The Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Debtor and of all other circumstances bearing upon the risk of nonpayment of the Obligations and agrees that the Lender shall not have any duty to advise the Guarantor of information regarding any condition or circumstance or any change in such condition or circumstance.

The Guarantor acknowledges that the Lender has not made any representation, warranty, covenant or agreement with or to the Guarantor in this Guaranty.

4. Covenants of the Guarantor. So long as the Obligation remains

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outstanding, without the prior written consent of Lender:

(a) The Guarantor will not incur or permit to exist any Indebtedness (as defined in the Credit Agreement) at any time outstanding except (i) Indebtedness to Lender arising under this Agreement or the other Loan Documents; (ii) current liabilities of the Guarantor incurred in the ordinary course of business and not incurred through the borrowing of money or the obtaining of credit except for credit on an open-account basis customarily extended, and in fact extended, in connection with normal purchases of goods and services; and (iii) Indebtedness set forth on Schedule 2 to the Credit Agreement.

(b) The Guarantor will not create or suffer to exist any Lien (as defined in the Credit Agreement) upon or with respect to any of its assets, whether now owned or hereafter acquired, or upon or with respect to any proceeds therefrom, or assign, or permit any of its Subsidiaries to assign, any accounts receivable or other right to receive income or proceeds, other than Permitted Liens (as defined in the Credit Agreement).

(c) The Guarantor will not declare, order, pay, make or set apart any sum for any Restricted Payment (as defined in the Credit Agreement) other than Restricted Payments relating to Indebtedness permitted in clause (iii) of paragraph (a) above.

5. Payments. Each payment by the Guarantor to the Lender under this

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Guaranty shall be made by transferring the amount thereof in immediately available funds without setoff or counterclaim; provided, that no such payment shall be deemed a waiver of any rights the Guarantor may have.

6. Parties. This Guaranty shall inure to the benefit of the Lender, and

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shall be binding upon the Guarantor and its successors and permitted assigns. The Guarantor may not delegate or assign any of its duties under this Guaranty without the prior written consent of the Lender. The Lender may assign any of its rights and benefits under this Guaranty to any person or entity.



7. Notices. All notices hereunder shall be given in accordance with the  
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provisions of the Loan Documents.

8. Remedies. The Guarantor stipulates that the remedies at law in  
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respect of any default or threatened default by the Guarantor in the performance  
of or compliance with any of the terms of this Guaranty are not and will not be  
adequate, and that any of such terms may be specifically enforced by a decree  
for specific performance or by an injunction against violation of any such terms  
or otherwise.

9. Rights to Deal with the Debtor. At any time and from time to time,  
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without terminating, affecting or impairing the validity of this Guaranty or the  
obligations of the Guarantor hereunder, the Lender may deal with the Debtor in  
the same manner and as fully and as if this Guaranty did not exist and shall be  
entitled, among other things, to grant the Debtor, without notice or demand and  
without affecting the Guarantor's liability hereunder, such extension or  
extensions of time to perform, renew, compromise, accelerate or otherwise change  
the time for payment of or otherwise change the terms of payment or any part  
thereof confirmed in or arising under the Loan Documents, or to waive any  
obligation of the Debtor to perform, any act or acts as the Lender may deem  
advisable.

10. Subrogation. The Guarantor shall not exercise any rights to which it  
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may be entitled, by operation of law or otherwise, upon making any payment  
hereunder to be subrogated to the rights of the payee against the Debtor with  
respect to such payment or otherwise to be reimbursed, indemnified or exonerated  
by the Debtor in respect thereof. If any amount shall be paid to the Guarantor  
in violation of the preceding sentence, such amount shall be held in trust for  
the benefit of the Lender and shall be paid promptly to the Lender to be  
credited and applied to the Obligations, whether matured or unmatured.

11. Survival of Representations, Warranties, etc. All representations,  
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warranties, covenants and agreements made herein and in statements or  
certificates delivered pursuant hereto shall survive any investigation or  
inspection made by or on behalf of the Lender and shall continue in full force  
and effect until all of the obligations of the Guarantor under this Guaranty  
shall be finally and fully paid and performed in accordance with the terms  
hereof, and until the final payment and performance in full of all Obligations.

12. Maximum Guaranteed Amount. Notwithstanding any other provision of  
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this Guaranty to the contrary, if the obligations of the Guarantor hereunder  
would otherwise be held or determined by a court of competent jurisdiction in  
any action or proceeding involving any state corporate law or any state or  
federal bankrupt-

cy, insolvency, reorganization, moratorium, fraudulent conveyance or other law affecting the rights of creditors' generally, to be void, invalid or unenforceable to any extent on account of the amount of the Guarantor's liability under this Guaranty, then notwithstanding any provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantor or any other person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding.

13. Governing Law and Consent to Jurisdiction; Waiver of Jury Trial.  
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(a) This Guaranty shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflicts of laws. The Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of the District Court of the United States for the Central District of California in any action, suit or proceeding brought against it and related to or in connection with this Guaranty or the transactions contemplated hereby, and to the extent permitted by applicable law, the Guarantor hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that this Guaranty or any document or any instrument referred to herein or the subject matter hereof may not be litigated in or by such courts or any immunity, sovereign or otherwise. To the extent permitted by applicable law, the Guarantor agrees not to seek and hereby waives the right to any review of the judgment of any such court by any court of any jurisdiction other than the Central District of California which may be called upon to grant an enforcement of such judgment.

(b) The Guarantor hereby consents to service of process by mail or courier service or hand delivery in any suit, action or other proceeding arising out of this Guaranty or the subject matter hereof or any of the transactions contemplated hereby in such District of California courts.

(c) THE GUARANTOR, AND THE LENDER BY ITS ACCEPTANCE HEREOF, WAIVES ALL RIGHT TO TRIAL BY JURY OF ALL CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS OF ANY AND ARISING FROM OR RELATING TO THIS GUARANTY OR THE LOAN DOCUMENTS. THE GUARANTOR ACKNOWLEDGES THAT THIS IS A WAIVER OF A LEGAL RIGHT AND THAT IT MAKES THIS WAIVER VOLUNTARILY AND KNOWINGLY AFTER CONSULTATION WITH COUNSEL OF ITS CHOICE. THE GUARANTOR AGREES THAT ALL SUCH CLAIMS, DEFENSES, COUNTERCLAIMS AND SUITS SHALL BE TRIED BEFORE A JUDGE OF A COURT OF COMPETENT JURISDICTION, WITHOUT A JURY.

14. Rights Cumulative. Each of the rights and remedies of Lender under

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this Guaranty shall be in addition to all of their other rights and remedies under this Guaranty and all applicable laws, and nothing in this Guaranty shall be construed as limiting any such rights or remedies.

15. Marshalling of Collateral, Guarantees, etc. The Lender shall not be

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under any obligation to marshall collateral, the benefit of security, other guarantees or any right or preference to payment or performance from any person, including rights to payment under this Guaranty, as a condition to any payment or performance by the Guarantor under this Guaranty; the Guarantor hereby confirming for the benefit of the Lender that whether or not the Lender shall be possessed of, or have the benefit of, any other collateral, securities or guarantees, the Lender may nonetheless immediately proceed to enforce this Guaranty against the Guarantor with or without any right, claim or action having been taken with respect to such other collateral, securities or guarantees.

16. LIMITATION OF LIABILITY. THE LENDER SHALL NOT HAVE ANY LIABILITY WITH

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RESPECT TO, AND THE GUARANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR, ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES SUFFERED BY THE GUARANTOR IN CONNECTION WITH ANY CLAIM RELATED TO OR ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY.

17. Pledge Agreement. This Guaranty is secured by that certain Pledge

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Agreement dated as of the date hereof from the Guarantor in favor of the Lender.

18. Entire Agreement. This Guaranty embodies the entire agreement between

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the Guarantor and the Lender relating to the subject matter hereof and supersede all prior agreements, representations and understandings, if any, relating to the subject matter hereof.

19. Miscellaneous. If any term of this Guaranty or any application

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thereof shall be invalid or unenforceable, the remainder of this Guaranty and any other application of such term shall not be affected thereby. Any term of this Guaranty may be amended, modified, waived, discharged or terminated only by an instrument in writing signed by the Guarantor and the Lender. The headings in this Guaranty are for purposes of reference only and shall not limit or define the meaning hereof. This Guaranty may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the Guarantor has caused its duly authorized officer to execute this Guaranty as of the date first above written.

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood

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Name: Richard M. Greenwood  
Title: President and Chief Executive Officer

## PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Agreement") is made as of the last day set forth below between Citadel Holding Corporation, a Delaware corporation with its principal office at 600 N. Brand Boulevard, Glendale, California ("Pledgor"), and Craig Corporation, a Delaware corporation (the "Secured Party").

Citadel Realty, Inc., a Delaware corporation and wholly-owned subsidiary of Pledgor ("Citadel Realty"), has requested a loan from the Secured Party and the Secured Party is willing to make the loan to Citadel Realty upon the terms set forth in the Credit Agreement dated as of the date hereof among Citadel Realty, the Secured Party and Pledgor (the "Credit Agreement"), together with certain debt instruments, and collateral and other documents related thereto (all of the foregoing documents and instruments as amended, restated, modified or supplemented from time to time being hereinafter collectively referred to as the "Loan Documents").

In order to induce the Secured Party to make the loan under the Loan Documents, Pledgor wishes to grant further security and assurance to the Secured Party in order to secure the performance by Pledgor of its obligations under the Loan Documents, and to that effect to pledge to the Secured Party all of the issued and outstanding shares of the capital stock of Citadel Realty, which shares of capital stock are represented by the stock certificates listed on Schedule "A" annexed hereto, as such schedule may be amended from time to time (the "Pledged Shares").

NOW, THEREFORE, in consideration of the receipt of \$10.00 and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as set forth below.

1. Security. As security for (a) the payment by Citadel Realty when

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 due of the indebtedness created under the Credit Agreement, (b) the performance when due by Citadel Realty of all its obligations under the Credit Agreement and the other Loan Documents, (c) the performance when due by Pledgor of all of its obligations under this Agreement, the Credit Agreement, the Guaranty dated as of the date hereof made by Pledgor in favor of the Secured Party and the other Loan Documents, (and any renewals, modifications, and extensions thereof), and (d) any other present and future liabilities and obligations of Citadel Realty and Pledgor to the Secured Party, including such other additional financing that the Secured Party may extend to Citadel Realty and Pledgor at any time in the Secured Party's discretion (all of

such obligations and liabilities of Citadel Realty and Pledgor to the Secured Party being hereinafter collectively referred to as the "Obligations"), Pledgor hereby delivers, pledges and assigns to the Secured Party and creates in the Secured Party a first priority security interest in all of its right, title and interest in, to and under all of the Pledged Shares and all additional shares of stock and other securities of Citadel Realty from time to time acquired by Pledgor or in any manner, together with all rights and privileges of Pledgor with respect thereto, all proceeds, income and profits thereof and all property received in addition thereto, in exchange thereof or in substitution therefor (collectively, the "Collateral").

2. Stock Dividends, Options or Other Adjustments. Prior to the full

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payment and performance of the Obligations, the Secured Party shall receive, as Collateral, any and all additional shares of stock or any other property of any kind distributable on or by reason of the Collateral pledged hereunder, whether in the form of or by way of stock dividends, warrants, partial liquidation, conversion, prepayments or redemptions (in whole or in part), liquidation, or otherwise with the sole exception of cash dividends or cash interest payments, as the case may be, constituting a "Restricted Payment" as defined in and permitted under the Credit Agreement. If any additional shares of capital stock, instruments, or other property against which a security interest can only be perfected by possession by the Secured Party, which are distributable on or by reason of the Collateral pledged hereunder, shall come into the possession or control of Pledgor, Pledgor shall hold or control and forthwith transfer and deliver the same to the Secured Party subject to the provisions hereof.

3. Delivery of Share Certificates; Stock Powers. All instruments and

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stock certificates representing the Pledged Shares are being delivered to the Secured Party simultaneously herewith together with stock powers duly executed in blank by Pledgor. Pledgor shall promptly deliver to the Secured Party or cause the corporation or other entity issuing the Collateral to deliver directly to the Secured Party, share certificates or other documents representing Collateral acquired or received after the date of this Agreement with a stock power duly executed by Pledgor. If at any time the Secured Party notifies Pledgor that additional stock powers endorsed in blank held by the Secured Party with respect to the Collateral are required, Pledgor shall promptly execute in blank and deliver such stock powers as the Secured Party may request.

4. Power of Attorney. Pledgor hereby constitutes and irrevocably

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appoints the Secured Party, with full power of substitution and revocation by the Secured Party, as Pledgor's true and lawful attorney-in-fact to the full extent permitted

by law, to affix to certificates and documents representing the Collateral the stock powers delivered with respect thereto, to transfer or cause the transfer of the Collateral after the occurrence of an Event of Default (as defined in Section 7 of this Agreement), or any part thereof on the books of the corporation or other entity issuing the same, to the name of the Secured Party or the Secured Party's nominee and thereafter exercise as to such Collateral all the rights, power and remedies of an owner. The power of attorney granted pursuant to this Agreement and all authority hereby conferred are granted and conferred solely to protect the Secured Party's interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any power. This power of attorney shall be irrevocable as one coupled with an interest prior to the payment in full of all of Pledgor's Obligations to the Secured Party.

5. Inducing Representations of Pledgor. Pledgor represents and

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warrants to the Secured Party that:

(a) Pledgor is the sole legal and beneficial owner of, and has good and marketable title to, the Collateral, free and clear of all pledges, liens, security interests and other encumbrances other than the security interest created by this Agreement. The pledge of the Pledged Shares pursuant to this Agreement and delivery thereof to the Secured Party in California creates a valid and perfected first priority security interest therein. Pledgor has the unqualified right and authority to execute this Agreement and to pledge the Collateral to the Secured Party as provided for herein;

(b) there are no outstanding options, warrants or other agreements with respect to the Collateral;

(c) the Pledged Shares have been validly issued and are fully paid and nonassessable, and the Pledged Shares constitute 100% of the issued and outstanding capital stock of Citadel Realty. The holder or holders thereof are not and will not be subject to any personal liability as such holder; and are not subject to any charter, bylaw, statutory, contractual or other restrictions governing their issuance, transfer, ownership or control, except that sale or transfer may be limited in the absence of an effective registration under the Securities Act of 1933, as amended (the "Act"), and under applicable state securities laws or of an opinion of counsel satisfactory to the issuer that the sale or transfer is exempt from registration under said Act and laws;

(d) any consent, approval or authorization of or designation or filing with any authority on the part of Pledgor which is required in connection with the pledge and security interest granted under this Agreement has been obtained or effected;

(e) the execution and delivery of this Agreement by Pledgor, and the performance by Pledgor of its obligations hereunder, will not result in a violation of the Certificate of Incorporation or By-laws of Pledgor or of any mortgage, indenture, contract, instrument, judgment, decree, order, statute, rule or regulation to which Pledgor or the issuer of the Collateral or any part thereof is subject; and

(f) Pledgor has deposited with the Secured Party the Pledged Shares duly endorsed in blank or accompanied by an assignment or assignments sufficient to transfer title thereto.

6. Obligations of Pledgor. Pledgor further represents, warrants and -----  
covenants to the Secured Party that:

(a) Pledgor will not sell, transfer or convey any interest in, or suffer or permit any lien or encumbrance to be created upon or with respect to, any of the Collateral (other than as created under this Agreement) during the term of the pledge established hereby;

(b) Pledgor will, at its own expense, at any time and from time to time at the Secured Party's request, do, make, procure, execute and deliver all acts, things, writings, assurances and other documents as may be reasonably proposed by the Secured Party to further enhance, preserve establish, demonstrate or enforce the Secured Party's rights, interests and remedies created by, provided in or emanating from this Agreement; and

(c) Pledgor will not amend or modify, or permit the material amendment or modification of, any provision of the Certificate of Incorporation or By-laws of Citadel Realty or any agreement relating to the Certificate of Incorporation or By-laws of Citadel Realty without the express written consent of Secured Party.

7. Rights of Pledgor. So long as no Event of Default has occurred -----  
and is continuing (as used herein "Event of Default" shall mean the occurrence of any of the events described in Section 6 of the Credit Agreement or the occurrence of a default under any of the other Loan Documents, in each case which is not cured within any period of time expressly allowed by such documents before the Secured Party can exercise its remedies on account of such event or default, and so long as the Secured Party has not transferred the Collateral to its own name under Section 4 hereof:

(a) Pledgor shall be entitled to receive and retain any cash dividends or cash interest payments paid on the Collateral which are permitted by the Credit Agreement; and



(b) Pledgor shall be entitled to vote or consent with respect to the Collateral in any manner not inconsistent with this Agreement, the Loan Documents or any document or instrument delivered or to be delivered pursuant to or in connection with the Loan Documents. Subject to the provisions of Section 8(a) of this Agreement, Pledgor hereby grants to the Secured Party an irrevocable proxy to vote the Collateral which proxy shall be effective immediately upon the occurrence of an Event of Default or registration of the Collateral in the name of the Secured Party. Upon request of the Secured Party, Pledgor agrees to deliver to the Secured Party such further evidence of such irrevocable proxy or such further irrevocable proxy to vote the Collateral as the Secured Party may request.

8. Rights of the Secured Party. At any time and without notice, in addition to any other rights and remedies provided herein or otherwise available to it, the Secured Party may:

(a) upon the occurrence and during the continuance of an Event of Default, cause the Collateral to be transferred to its name or to the name of its nominee or nominees and thereafter exercise as to such Collateral all of the rights, powers and remedies of an owner, and provided that, so long as no Event of Default has occurred and is continuing, Pledgor shall retain the right to vote the Collateral as set forth in Section 7 of this Agreement;

(b) upon the occurrence and during the continuance of an Event of Default collect by legal proceedings or otherwise all dividends, interest, principal payments, capital distributions and other sums now or hereafter payable on account of said Collateral, and hold the same as part of the Collateral, or apply the same to any of the Obligations to the Secured Party in such manner and order as the Secured Party may decide in its sole discretion;

(c) upon the occurrence and during the continuance of an Event of Default enter into any extension, subordination, reorganization, deposit, merger, or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith deposit or surrender control of such Collateral thereunder, and accept other property in exchange therefor and hold and apply such property or money so received in accordance with the provisions hereof; and

(d) discharge any taxes, liens, security interests or other encumbrances levied or placed on the Collateral, pay for the maintenance and preservation of the Collateral, or pay for insurance on the Collateral; the amount of such payments, plus any and all fees, costs and expenses of the Secured Party

(including reasonable attorneys' fees and disbursements), in connection therewith, shall, at the Secured Party's option, be reimbursed by Pledgor on demand, with interest thereon at the rate provided in the Credit Agreement from the date paid, or added to the Obligations secured hereby.

9. Event of Default; Remedies. Upon the occurrence and continuance of

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an Event of Default as hereinbefore defined:

(a) in addition to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of California or other applicable law, the Secured Party shall have the right, and without demand of performance or other demand, advertisement or notice of any kind, except as specified below, to or upon the Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the extent permitted by law), to proceed forthwith to collect, receive, appropriate and realize upon the Collateral, or any part thereof and to proceed forthwith to sell, assign, give an option or options to purchase, contract to sell, or otherwise dispose of and deliver the Collateral or any part thereof in one or more parcels at public or private sale or sales at any stock exchange, broker's board or at any of the Secured Party's offices or elsewhere at such prices and on such terms (including, without limitation, a requirement that any purchaser of all or any part of the Collateral shall be required to purchase any securities constituting the Collateral solely for investment and without any intention to make a distribution thereof) as the Secured Party in its sole and absolute discretion deems appropriate without any liability for any loss due to decrease in the market value of the Collateral during the period held. Pledgor hereby acknowledges that a sale to an "accredited investor" as such term is defined in Regulation D of the regulations promulgated under the Securities Act of 1933, as amended and in compliance with, but without registration or qualification under, applicable federal and state securities laws shall be deemed to have been conducted in a commercially reasonable manner. If any notification of intended disposition of the Collateral is required by law, such notification shall be deemed reasonable and properly given (under Section 9-504(3) of the Uniform Commercial Code of the State of California or otherwise) if mailed, postage prepaid, at least five (5) days before any such disposition to Pledgor's address indicated above. Any disposition of the Collateral or any part thereof may be for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Secured Party to purchase all or any part of the Collateral so sold at any such sale or sales, public or private, free of any equity or right of redemption in the Pledgor, which right or equity is, to extent permitted by applicable law, hereby expressly waived or released by the Pledgor. The sale of any of the

Collateral on credit terms shall not relieve the Pledgor of its liability under any of the Obligations until the full purchase price for the Collateral has been paid in full;

(b) all of the Secured Party's rights and remedies, including but not limited to the foregoing, shall be cumulative and not exclusive and shall be in addition to any other remedy given hereunder, under the Loan Documents or now or hereafter existing at law or in equity or by statute and shall be enforceable alternatively, successively or concurrently as the Secured Party may deem expedient;

(c) Pledgor recognizes that the Secured Party may be unable to effect a public sale of all or a part of the Collateral by reason of certain prohibitions contained in the Act, but may deem it advisable to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire the Collateral for their own account, for investment and not with a view for the distribution or resale thereof. Pledgor agrees that private sales so made may be at prices and on other terms less favorable to the seller than if the Collateral were sold at public sale, and that the Secured Party has no obligation to delay the sale of any Collateral for the period of time necessary to permit the registration of the Collateral for public sale under the Act. Pledgor agrees that a private sale or sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner;

(d) if any consent, approval or authorization of any state, municipal or other governmental department, agency or authority should be necessary to effectuate any sale or other disposition of the Collateral, or any partial disposition of the Collateral, Pledgor will execute all such applications and other instruments as may be required in connection with securing any such consent, approval or authorization, and will otherwise use its best efforts to secure the same, Pledgor further agrees to use its best efforts to secure such sale or other disposition of the Collateral as the Secured Party may deem necessary pursuant to the terms of this Agreement;

(e) upon any sale or other disposition of the collateral, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold or disposed of. Each purchaser at any such sale or other disposition (including the Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of Pledgor. Pledgor specifically waives, to the extent permitted by applicable law, all rights of redemption, stay or appraisal which it had or may have under any rule of law or statute now existing or hereafter adopted; and

(f) the Secured Party shall not be obligated to make any sale or other disposition, unless the terms thereof shall be satisfactory to it. The Secured Party may, without notice or publication, adjourn any private or public sale, and, upon five (5) days' prior notice to Pledgor, hold such sale at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral, on credit or future delivery, the Collateral so sold may be retained by the Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall incur no liability in case of the failure of such purchaser to take up and pay for the property so sold and, in case of any such failure, such property may again be sold as herein provided.

10. Disposition of Proceeds.  
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(a) The proceeds of any sale or disposition of all or any part of the Collateral shall be applied by the Secured Party in the following order:

(i) to the payment in full of the reasonable costs and expenses of such sale or sales, collections and the protection, declaration and enforcement of any security interest granted hereunder, including the reasonable compensation of the Secured Party's agents and attorneys employed in connection herewith;

(ii) to the payment of the Obligations in such order as the Secured Party may elect; and

(iii) to the payment to Pledgor of any surplus then remaining from such proceeds, subject to the rights of any holder of a lien on the Collateral of which the Secured Party has actual notice.

(b) In the event that the proceeds of any sale or other disposition are insufficient to cover the principal of, and premium, if any, and interest on, the Obligations plus reasonable costs and expenses of the sale or other disposition as set forth in (a) above, Pledgor shall remain liable for any deficiency.

11. Termination. This Agreement shall continue in full force and  
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effect until all Obligations shall have been indefeasibly paid in full and satisfied. Subject to any sale or other disposition by the Secured Party of the Collateral or any part thereof pursuant to this Agreement, the Collateral shall be returned to Pledgor upon full payment, satisfaction and termination of all of the Obligations.

12. Expenses of the Secured Party. All reasonable expenses (including

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reasonable attorneys' fees and disbursements) incurred by the Secured Party in connection with any actual or attempted sale, exchange of, or any enforcement, collection, compromise or settlement respecting, the Collateral, or any other action taken by the Secured Party hereunder whether directly or as attorney-in-fact pursuant to a power of attorney or other authorization herein conferred, for the purpose of satisfaction of the liability of Pledgor for failure to pay the Obligations or as additional amounts owing by Pledgor to cover the Secured Party's costs of acting against the Collateral, shall be deemed an Obligation of Pledgor for all purposes of this Agreement and the Secured Party may apply the Collateral to payment of or reimbursement of itself for such liability.

13. General Provisions.

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(a) The Secured Party or its designee is hereby appointed the attorney-in-fact of Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and necessary and advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable as one coupled with an interest.

(b) The Secured Party and its assigns shall have no obligation in respect of the Collateral except to use reasonable care in holding the Collateral and to hold and dispose of the same in accordance with the term of this Agreement.

(c) Any notice or other communication hereunder shall be given in accordance with the notice provisions in the Credit Agreement.

(d) No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Secured Party of any right, power or remedy hereunder preclude any other or future exercise thereof, or the exercise of any other right, power or remedy. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law or any other agreement. The representations, covenants and agreements of Pledgor herein contained shall survive the date hereof. Neither this Agreement nor the provisions hereof can be changed, waived or terminated orally. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, legal representatives and assigns. This Agreement may be executed in two or more counterparts and shall be governed by and construed in accordance with the laws of the State of California.

(e) Pledgor hereby waives diligence, presentment, demand of any kind, filing of claims with a court in the event of receivership or bankruptcy, protests of any kind, notices of any kind, and all setoffs and counterclaims, to the extent permitted by applicable law. Upon the occurrence and continuance of an Event of Default, the Secured Party may proceed directly and at once, without notice, against the Collateral to collect and recover the full amount or any portion of the Obligations so due and payable, without first proceeding against any other security or collateral provided by Pledgor or any other person with respect to the Obligations.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the 2nd day of August 1994.

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood

\_\_\_\_\_  
Name: Richard M. Greenwood  
Title: President and Chief Executive Officer

CRAIG CORPORATION

By: /s/ ROBIN SCOPHAMMER

\_\_\_\_\_  
Name: Robin Scophammer  
Title: Chief Financial Officer

SCHEDULE "A"

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Stock Certifi- cate Number	Description of Stock	Restrictions on Transfer	Number of Shares
1	Common Stock, \$.01 par value	None	1,000
		Total:	<u>1,000</u> =====

## PROMISSORY NOTE

\$4,450,000.00

Phoenix, Arizona  
August 3, 1994

1. FOR VALUE RECEIVED, CITADEL REALTY, INC., a Delaware corporation, having an office at 600 North Brand Boulevard, Glendale, California 91209 ("Maker"), promises to pay to the order of FIDELITY FEDERAL BANK, A Federal Savings Bank, having an office at 600 North Brand Boulevard, Glendale, California 91209, or its successor or assigns (collectively, the "Payee"), the principal sum of FOUR MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS (\$4,450,000.00), in lawful money of the United States of America with interest thereon from the date of this Note at the Interest Rate (hereinafter defined).

2. (a) The interest rate in effect from time to time (the "Interest Rate") shall be a rate equal to (i) 9.25% per annum until July 31, 1995 (the "Fixed Rate Period"); and (ii) thereafter, LIBOR plus 4.50% per annum for each Interest Period, adjusted monthly;

PROVIDED, HOWEVER, that for the purposes of Arizona Revised Statutes (S)44-1201, the rate of interest contracted for in writing shall be the sum of the Interest Rate plus any other fees or charges to Maker which are, or are deemed by a court of competent jurisdiction to be, interest or in the nature of interest.

(b) As used in this Paragraph 2:

- (i) "Business Day" shall mean a day in which dealings are carried on in the London interbank market and banks are not required or authorized to close in London, England.
- (ii) "Interest Period" shall mean a calendar month.
- (iii) "LIBOR" shall mean the 30-day London Interbank Offered Rate for United States dollar deposits as published in the Wall Street Journal as of the first Business Day of each Interest Period.

(c) Interest on the principal sum of this Note shall be calculated on the basis of a 360-day year, consisting of twelve (12) months of thirty (30) days each. However, interest due and payable for a period of less than a full calendar month shall be calculated by multiplying the actual number of days elapsed in such period by a daily rate based on a 360-day year. A payment of interest only shall be due on September 1, 1994 for the period ending August 31, 1994.

3. (a) Maker shall make equal monthly payments in an amount sufficient to amortize the principal sum plus interest on the outstanding principal balance from time to time, payable in arrears, over a period of twenty-five (25) years, commencing on the first (1st)



day of October, 1994, and on the first (1st) day of each calendar month thereafter (the "Monthly Due Date"). Monthly Payments for the Fixed Rate Period through the payment due September 1, 1995 shall be in the amount of \$38,108.99 per month. The amount of the equal monthly payments shall be recalculated at the end of each twelve-month period starting on September 1, 1995 and each September 1st thereafter for the new payment starting on each September 1st, with the then principal balance outstanding, together with interest at the then applicable Interest Rate, to be amortized over the remaining portion of the twenty-five (25) year amortization period; PROVIDED, HOWEVER, that the total increase in the equal monthly payments shall not exceed 7.5% of the prior period payment. Any interest which is not paid because of fluctuations in the actual Interest Rate, or the limit on increase in payments as a result of the annual adjustment, or otherwise, shall be accrued and added to the principal balance until the principal balance reaches a maximum of 110% of the initial principal balance, and at such point the then principal balance shall be reamortized at the then current Interest Rate over the balance of the twenty-five (25) year amortization period without regard to the limit on the increase in the total monthly payment.

(b) All payments made on this Note, including without limitation any prepayments, shall be applied first to the payment of the interest then accrued and due on the unpaid principal balance under this Note and the remainder of each installment shall be applied to the reduction of the unpaid principal; provided, however, that if Maker fails to repay any advances of monies made by Holder under the terms of any Loan Document, Holder may, at its option, apply any monies received from Maker first to the repayment of such advance, plus interest thereon at the "Default Rate" (as hereinafter defined), and the balance shall then be applied on account of any installment then due.

(c) The unpaid principal sum and all interest thereon and all other sums and fees due under this Note shall be due and payable on the first day of August, 2001 (the "Maturity Date").

(d) If LIBOR shall equal eight percent (8.0%) or greater on any date when it is required to be determined, Maker shall purchase and thereafter maintain as long as LIBOR equals or exceeds eight percent (8.0%), a LIBOR cap of ten percent (10%) from a bank or financial institution acceptable to Payee and assign any payments due to Maker under the agreement to Payee effective upon an Event of Default by Payee under this Note or any document or instrument securing the Note, and if Maker shall fail to purchase such LIBOR cap, then Payee may do so and thereafter maintain the LIBOR cap during the required period, and all costs and expenses incurred by Payee in purchasing or maintaining the LIBOR cap shall be immediately due and payable by Maker to Payee and until paid shall bear interest at the Default Rate.

(e) All payments under this Note shall be made to Payee at the address specified above, or to such other designated bank or place, or in such other manner, including wire transfer of immediately available funds, as Payee may from time to time specify in writing.

4. The whole of the principal sum of this Note, together with all interest accrued and unpaid thereon, and all other sums and fees payable hereunder, under the Deed of Trust (hereinafter defined), and under the other Loan Documents (as defined in the Mortgage) (such amounts hereinafter collectively referred to as the "Indebtedness") shall without notice become immediately due and payable at the option of Payee on the happening of any Event of Default, as defined in the Deed of Trust (defined herein).

5. Maker shall have the right to prepay, in whole but not in part, the outstanding principal balance of the Note; provided that (a) Maker shall give Payee not less than 30, nor more than 90, days' prior written notice of its intention to prepay; and (b) prepayment shall be made on a business day; and (c) Maker shall pay Payee a prepayment premium equal to the following percentage of the then outstanding principal balance during the following periods after the date of this Note: five percent (5%) during the first thirty-six (36) months of the Note and declining by one percent (1%) during each twelve (12) month period thereafter to one percent (1%) in the last period of twelve (12) months or less prior to the Maturity Date. The prepayment premium shall be applicable to any payment, whether voluntary or involuntary, including a payoff of the Note after an acceleration upon an Event of Default.

6. Maker agrees that upon the occurrence of any Event of Default, Payee shall have the option, without notice to Maker, of increasing the rate of interest on the entire unpaid principal balance of this Note (provided, however, that such rate of interest shall be increased automatically without notice or election by Maker, upon the occurrence of any of the events set forth in Section 4.1(i) of the Deed of Trust), effective from the date of such Event of Default (provided the Default Rate shall cease to be applicable upon the curing of such Events of Default), to a rate (the "Default Rate") equal to (a) five percent (5%) over the Interest Rate then applicable under this Note in the case of a monetary Event of Default, and (b) two percent (2%) over the Interest Rate then applicable under this Note in the case of a material non-monetary Event of Default, and (c) the higher of the rates if both a monetary and non-monetary Event of Default exist at the same time. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Indebtedness, nor as a waiver of any other right or remedy accruing to Payee by reason of the occurrence of an Event of Default. Mortgagee shall retain the right to exercise any and all rights and remedies available at law and in equity.

7. This Note is secured by, among other things, a Deed of Trust, Assignment of Leases, Rents and Proceeds, Security Agreement and Fixture Filing (the "Deed of Trust") dated the date hereof given by Maker to Payee covering certain premises located in Maricopa County, Arizona.

8. Notwithstanding any provision herein, the total liability for payments in the nature of interest shall not exceed the applicable limits imposed by any applicable State or Federal interest rate laws. If any payments in the nature of interest, additional interest, and other charges made hereunder are held to be in excess of the applicable limits imposed by any applicable State or Federal laws, the amount held to be in excess shall be considered payment

of principal and the indebtedness evidenced thereby shall be reduced by such amount in the inverse order of maturity so that the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by any applicable State or Federal interest rate laws.

9. If any monthly principal and interest payment is not paid in full within ten (10) days after the Monthly Due Date, or any other payment due to Maker under the Loan Documents is not paid within ten (10) days after the same is due, then a late charge equal to five percent (5%) of such payment (the "Late Charge") shall be deemed to be immediately assessed and shall be immediately due and payable. Such charges shall automatically become due to Payee without notice and shall be paid to defray the expenses incurred by Payee in handling and processing such delinquent payment, and to compensate Payee for the loss of the use of such delinquent payment, and such amount shall be secured by the Deed of trust. Such charges shall be in addition to interest at the Default Rate and all other rights and remedies available to Payee upon the occurrence of an Event of Default or a default under this Note or the Deed of Trust.

10. This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Maker or Payee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

11. Maker and all other persons or parties who may become liable for the payment of all or any part of the Indebtedness do hereby severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest and non-payment. No release of any security for the Indebtedness or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note or the Deed of Trust, or any other Loan Document made by agreement between Payee and any such other person or party shall release, discharge, modify, change or affect the liability of Maker, and any other person who may become liable for the payment of all or any part of the Indebtedness, under any other provision of this Note or the Mortgage. MAKER WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND ARISING OUT OF OR RELATING TO THIS NOTE OR THE INTERPRETATION, BREACH OR ENFORCEMENT HEREOF.

12. In the event that it should become necessary to employ counsel to collect the Indebtedness or to protect or foreclose on the security therefor, Maker agrees to pay reasonable attorneys' fees for the services and disbursements of such counsel whether or not suit be brought.

13. This Note is secured by a Deed of Trust and other Loan Documents of even date herewith.



14. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARIZONA WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF. MAKER AND EACH ENDORSER AND GUARANTOR HEREBY SUBMIT TO PERSONAL JURISDICTION IN SAID STATE AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN SAID STATE (AND ANY APPELLATE COURTS TAKING APPEALS THEREFROM) FOR THE ENFORCEMENT OF EACH SUCH ENTITY'S OBLIGATIONS HEREUNDER, UNDER THE DEED OF TRUST, AND UNDER THE OTHER LOAN DOCUMENTS, AND WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAWS OF ANY OTHER STATE TO OBJECT TO JURISDICTION WITHIN SUCH STATE FOR THE PURPOSES OF ANY ACTION, SUIT, PROCEEDING OR LITIGATION TO ENFORCE SUCH OBLIGATIONS OF SUCH ENTITY. MAKER, AND EACH ENDORSER AND GUARANTOR, HEREBY WAIVES AND AGREES NOT TO ASSERT, AS A DEFENSE IN ANY ACTION, SUIT, PROCEEDING OR LITIGATION ARISING OUT OF OR RELATING TO THIS NOTE, THE DEED OF TRUST, OR ANY OF THE OTHER LOAN DOCUMENTS, (a) THAT IT IS NOT SUBJECT TO SUCH JURISDICTION OR THAT SUCH ACTION, SUIT, PROCEEDING OR LITIGATION MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN THOSE COURTS OR THAT THIS NOTE, THE DEED OF TRUST, THE GUARANTY, AND/OR ANY OF THE OTHER LOAN DOCUMENTS MAY NOT BE ENFORCED IN OR BY THOSE COURTS OR THAT IT IS EXEMPT OR IMMUNE FROM EXECUTION, (b) THAT THE ACTION, SUIT, PROCEEDING OR LITIGATION IS BROUGHT IN AN INCONVENIENT FORUM, OR (c) THAT THE VENUE OF THE ACTION, SUIT, PROCEEDING OR LITIGATION IS IMPROPER. IN THE EVENT SUCH ACTION, SUIT, PROCEEDING OR LITIGATION IS COMMENCED, EACH MAKER, ENDORSER AND GUARANTOR AGREES THAT SERVICE OF PROCESS MAY BE MADE, AND PERSONAL JURISDICTION OVER SUCH ENTITY OBTAINED, BY SERVICE OF A COPY OF THE SUMMONS, COMPLAINT AND OTHER PLEADINGS REQUIRED TO COMMENCE SUCH ACTION, SUIT, PROCEEDING OR LITIGATION UPON SUCH ENTITY AT THE ADDRESS OF MAKER SET FORTH HEREIN.

15. If any term, covenant or condition of this Note is held to be invalid, illegal or unenforceable in any respect, this Note shall be construed without such provision.

16. Time is of the essence of each and every provision hereof.

17. The rights and remedies of Payee as provided in this Note and the Loan Documents shall be cumulative and concurrent, and may be pursued singly, successively, or together against Maker, the property described in the Loan Documents, any guarantor hereof and any other funds, property or security held by Payee for the payment hereof or otherwise at the sole discretion of Payee. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights and remedies or of the right to exercise them at any later time.

IN WITNESS WHEREOF, Maker has duly executed this Note the day and year first above written.

CITADEL REALTY, INC.,  
a Delaware corporation

By: /s/ Steve Wesson  
-----  
Its: President  
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[LOGO OF FIDELITY FEDERAL BANK APPEARS HERE]

## PROMISSORY NOTE

THIS NOTE INCLUDES PROVISIONS CONTAINED IN THE ATTACHED AMENDMENT(S).

Loan No: 3027749

U.S. \$ 5,775,000.00      Glendale, California      Date: July 28, 1994

For value received, the undersigned promises to pay to FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK, or order, at its office in the City of Glendale, California, or at such other place as the Holder hereof may from time to time designate in writing, the principal sum of

FIVE MILLION SEVEN HUNDRED SEVENTY FIVE THOUSAND AND NO/100-----  
dollars, with interest on unpaid principal from the date at the rate of 7.250  
percent per annum: principal and interest payable in monthly installments of

THIRTY NINE THOUSAND THREE HUNDRED NINETY FIVE AND 68/100-----  
dollars on the 1st day of each and every month, beginning October 1, 1994, and  
continuing until September 1, 2004 when said principal and interest together  
with all other sums provided for herein shall be due and payable. Each payment  
shall be credited first on interest then due and the remainder on principal, and  
interest shall thereupon cease upon the principal so credited. Should default be  
made in payment when due of any installment under this Note, or in any of the  
agreements contained in the Deed of Trust securing this Note, the whole sum of  
principal and interest shall, without notice, become immediately due and payable  
at the option of the Holder hereof. Failure to exercise such option shall not  
constitute a waiver of the right to exercise it in the event of any subsequent  
default. The undersigned agrees to pay the interest rate specified in this Note  
both before and after any default set forth in paragraph 2.(k) of the Deed of  
Trust described below.

## LATE CHARGE PROVISION:

By signing this Note, undersigned agrees with the Holder (i) that it would be impractical or extremely difficult to fix the Holder's actual damages in the event that any installment shall not be paid when due, (ii) to pay the Holder in such event an amount equal to 10.000% of any such late installment and (iii) that such amount shall be deemed to be the damages of the Holder for its loss suffered by such delinquency in payment. Without limitation on its right, under the Deed of Trust securing this Note or otherwise, to compel prompt performance hereunder, Holder agrees to accept such amount in lieu of its actual damages for any such delinquent payment of an installment. Late charge shall be due on any payment received by Holder hereof more than 10 calendar days after date due.

## PREPAYMENT PRIVILEGE:

THIS NOTE MAY BE PAID IN FULL OR IN PART WITHOUT PENALTY AT ANY TIME.

This Note is secured by a Deed of Trust to GATEWAY MORTGAGE CORPORATION, a California corporation, as Trustee. Said Deed of Trust provides among other things as follows:

"2.(k) DEFAULT: Default shall occur: (1) if payment or performance of any Note, indebtedness, liability or obligation secured hereby or of any interest thereon be not made at the time or in the manner agreed; or (2) if Trustor fails to perform any obligations hereunder; or (3) should Trustor or any successor in interest to Trustor in such property sell, sell under contract of sale, lease with option to purchase, convey, transfer, encumber, or alienate said property, or any part thereof, or any interest therein, or drill or extract or enter into a lease for the drilling or extraction of oil, gas, or other hydrocarbon substance or any mineral of any kind or character therefrom, or from any part therein, or be divested of his title or any interest therein in any manner or way, whether voluntary or involuntary, Beneficiary shall have the right, at its option, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any Note or written agreement evidencing the same, immediately due and payable, and no waiver of this right shall be effective unless in writing and signed by Beneficiary; waiver of this right granted to Beneficiary as to one transaction or occurrence shall not be deemed to be a waiver of said right as to any subsequent transaction or occurrence; if Beneficiary exercises said option and Trustor fails to pay all such sums, it shall constitute a default hereunder; or (4) if this Deed of Trust, or any Note secured hereby, provides any charge for prepayment of any indebtedness secured hereby and Trustor fails to pay same when due, Trustor agrees to pay said prepayment charge if any of said indebtedness shall be paid prior to the due date stated in said Note or in this Deed of Trust, even if, and notwithstanding, Trustor shall have defaulted in payment thereof, or in performance of any agreement hereunder, and Beneficiary, by reason thereof, shall have declared all sums secured hereby immediately due and payable; or (5) if said property becomes the subject of abatement proceedings; or (6) if any financial information given by Trustor to Beneficiary be not true in any material respect or any essential financial information be withheld by Trustor from Beneficiary; or (7) if said property, or any part thereof, be attached or become subject to any other legal process and be not released therefrom within ninety (90) days; or (8) if Trustor(s) (or any one of them) become insolvent, make an assignment for the benefit of creditors, be the subject of any bankruptcy proceeding, reorganization, arrangement, insolvency, receivership, liquidation or dissolution proceedings; or (9) in the event that the indebtedness secured hereby was incurred for the purpose of enabling Trustor to acquire said property for his dwelling and if Trustor shall fail at any time to occupy such property as his dwelling without the prior written consent of the Beneficiary being first obtained, the Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Trustor under this paragraph, is authorized to accept as true and conclusive all facts and statements therein and to act thereon hereunder, or (10) if Trustor(s) (or any one of them) fails to perform, if such property includes a leasehold interest, each agreement of the lessee contained in the lease creating such leasehold or if Trustor(s) surrender(s) the leasehold estate or any interest herein conveyed, or terminate(s) or

cancel(s) the lease, or without the express written consent of Beneficiary, alters or amends the lease; or (11) if Trustor is a partnership and the interest of a general partner is assigned or transferred, and/or if Trustor's partnership is dissolved for any reason."

"2.(1) REMEDIES: Upon the happening of any such default, Beneficiary or Trustee, or both, without the necessity of any notice to or demand upon Trustor or any other party liable for the said indebtedness or having an interest in said property, may do any or all of the following: (1) declare all indebtedness secured hereby immediately due and payable; (2) take possession of and operate said property and any personal property thereon used in the operation of said property and any business conducted thereon without liability or obligation on its part, and do all such acts affecting said property as Beneficiary may deem necessary to keep it in good condition and repair and to conserve the value thereof; (3) to the extent permitted by law, bring an action to enforce the payment of any Note or indebtedness secured hereby without the necessity of exercising any remedy hereunder or the prior sale of said property and without thereby waiving any other right or remedy; (4) perform any of the foregoing acts with or without bringing any action or proceeding, or may do so through a receiver appointed by a court, and in any case without necessity of having given or recorded any notice of default or election to sell and without regard to the adequacy of security; (5) bring an action in any court of competent jurisdiction to foreclose this Deed of Trust or to recover possession of said property after foreclosure; (6) elect to sell said property or any part thereof pursuant to paragraph 2.(m) hereof; (7) apply any funds in possession of Beneficiary including, but not limited to, funds under the provisions of paragraphs 2.(a), 2.(b) and 2.(h), at option of Beneficiary, to the payment of principal and/or interest upon the obligation secured hereby in lieu of being applied to any of the purposes for which the fund was established."

"3.(b) NO WAIVER by Beneficiary of any right under this Deed of Trust or the Note secured hereby shall be effective unless in writing. Waiver by Beneficiary of any right arising out of any transaction or occurrence shall not be deemed a waiver of any right arising out of any future action or occurrence. Failure by Beneficiary to exercise any right promptly after learning of the facts giving rise to such right shall not constitute a waiver of such right. The acceptance of any payment by Beneficiary with knowledge of a default on the part of Trustor shall not constitute a waiver of such default."

"6. OBLIGATION TO INFORM BENEFICIARY OF TRANSFER OR DEFAULT: That Trustor shall inform Beneficiary, in writing, prior to the time of the occurrence of the events described in Paragraph 2.(k) hereof; and to promptly furnish to Beneficiary any and all information concerning such events as Beneficiary shall request."

If action be instituted on this Note, I promise to pay the Holder hereof any expenses incurred thereby, including, but not limited to, reasonable attorneys' fees and court costs.

Principal and interest payable in lawful money of the United States.

In this Note, the singular shall include the plural and this Note shall be the joint and several obligation of each maker.

CITADEL REALTY, INC., A DELAWARE CORPORATION

BY: /S/ Steve Wesson

\_\_\_\_\_  
Steve Wesson, President and Secretary

\_\_\_\_\_

\_\_\_\_\_



Date: July 28, 1994

Loan Number: 3027749

For value received, the undersigned agrees that the certain Note of even date herewith in favor of FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK, in the original principal sum of U.S. \$ 5,775,000.00 with payment computations based on an originally scheduled Loan Term of 360 months and with a Term of Maturity of 120 months is hereby modified by adding the following:

## INTEREST RATE ADJUSTMENTS

The initial interest rate specified in the Note shall be adjusted by increasing or decreasing the interest rate beginning September 1, 1995 and every 6 month(s) thereafter. All adjusted interest rates shall be determined by adding a margin of 3.625 % to the index in effect as of the date 45 days before each scheduled interest rate adjustment. The result of this addition (X) shall ( ) shall not be rounded to the nearest one-eighth of one percentage point. The index to be used is as follows:

- ( ) the most recent available monthly weighted average cost of Savings, Borrowings and Advances by the Federal Home Loan Bank of San Francisco ("Bank") to district members of the Bank based on the statistics tabulated by the Bank.
- (X) the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year(s), as made available by the Federal Reserve Board.

( )

The first interest rate adjustment shall be reflected in the payment due October 1, 1995

- ( ) with a maximum increase at each scheduled interest rate adjustment of % more than the interest rate in effect at the beginning of the immediately preceding months
- ( ) with a maximum decrease at each scheduled interest rate adjustment of % less than the interest rate in effect at the beginning of the immediately preceding months
- ( ) with a maximum interest rate increase during the LIFE OF THE LOAN of % greater than the interest rate reflected in the payment
- ( ) EXCEPT as stated under Due-On-Sale provisions
- ( ) with a maximum interest rate decrease during the LIFE OF THE LOAN of % less than the interest rate reflected in the payment
- ( ) EXCEPT as stated under Due-On-Sale provisions
- ( ) with a maximum interest rate of % during the LIFE OF THE LOAN
- ( ) EXCEPT as stated under Due-On-Sale provisions

AT ANY TIME, SHOULD THE PAYMENT AMOUNT NOT BE SUFFICIENT TO COVER THE AMOUNT OF INTEREST THEN DUE, THE DEFICIENT INTEREST AMOUNT SHALL BE ADDED TO THE UNPAID PRINCIPAL BALANCE WITH INTEREST CHARGED AT THE RATE THEN IN EFFECT. Only the Beneficiary may select an alternate comparable index to permit interest rate adjustments if the index stated above is no longer available.

## PAYMENT ADJUSTMENTS

EXCEPT AS OUTLINED BELOW UNDER THE RECAST PROVISIONS, the PAYMENT AMOUNT shall be increased or decreased to an amount which shall be sufficient to pay in full the then unpaid balance INCLUDING ANY DEFERRED INTEREST WHICH MAY HAVE BEEN ADDED TO THE PRINCIPAL at the then applicable interest rate, in equal installments over the remainder of the originally scheduled Loan Term, beginning after 12 month(s) from the first payment and every 12 months thereafter. The first adjusted payment shall begin with the payment due October 1, 1995

- (X) except the payment amount cannot be increased more than 7.500 % over the immediately preceding payment level
- ( ) except the payment cannot be decreased more than % under the immediately preceding payment level

## RECAST PROVISIONS

- (X) Commencing with the payment due October 1, 1999 and every 60 months thereafter, the payment amount shall be increased or decreased to an amount which shall be sufficient to pay in full the then unpaid balance INCLUDING DEFERRED INTEREST WHICH MAY HAVE BEEN ADDED TO THE PRINCIPAL at the then applicable interest rate, in equal installments over the remainder of the originally scheduled Loan Term.
- (X) At any time, should the unpaid balance (including amounts added to the principal) exceed 110 % of the original principal sum, the payment amount shall be increased to an amount which shall be sufficient to pay in full the then unpaid balance INCLUDING DEFERRED INTEREST WHICH MAY HAVE BEEN ADDED TO THE PRINCIPAL, at the then applicable interest rate, in equal installments over the remainder of the originally scheduled Loan Term.

## DUE-ON-SALE

- (X) The due-on-sale provisions in paragraphs 2.(k) and 2.(l) of the Deed of

Trust and referred to in the Note shall be allowed [ TO ANY] [] 1  
TIME(S) to qualified buyer(s) accepted in writing by the Beneficiary  
provided a fee of one percent of the then remaining unpaid balance and other  
usual assumption charges are paid to the Beneficiary for [ THIS] [  
EACH SUCH] assumption

AND PROVIDED at the option of the Beneficiary, the maximum interest rate  
interest or decrease during the remaining LIFE OF THE LOAN may be %  
greater or % less than the interest rate in effect on the date of  
assumption

AND FURTHER PROVIDED

this assumption(s) is/are approved by Beneficiary prior to  
09/01/04

assumption(s) is/are approved by Beneficiary prior to

The adjustment of interest rate and payment amount of the Note shall not create a novation and the lien of the Deed of Trust as to principal and adjusted interest as accrued shall at all times be on a parity with the lien of the Deed of Trust as to principal and interest rate on the date of recording.

To the extent that the provisions of this Amendment are inconsistent with the provisions of the Note or Deed of Trust, the provisions of this Amendment shall control and shall supersede any such inconsistent provisions.

CITADEL REALTY, INC., A DELAWARE CORPORATION

By: /s/ Steve Wesson

\_\_\_\_\_  
Steve Wesson, President and Secretary

\_\_\_\_\_

\_\_\_\_\_

[LOGO OF FIDELITY FEDERAL BANK APPEARS HERE]  
AMENDMENT TO NOTE

Date: 07/28/94

Loan Number: 3027749

For value received, the undersigned agrees that the certain Note of even date herewith in favor of FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK, in the original principal sum of U.S.\$ 5,775,000.00 is hereby modified by adding the following:

Without releasing Maker from or affecting any of Maker's obligations under this Note or any security documents, and without impairing or otherwise limiting Holder's right to foreclose the Deed of Trust or enforce any of Holder's other rights or remedies under this Note or any security documents, and except as hereafter provided, Holder waives its right to enforce against Maker a judgment imposing liability on Maker for any deficiency in payment of the indebtedness by this note.

Notwithstanding the foregoing, Maker shall be fully liable to Holder, and Holder may enforce any judgment against Maker, for:

- a. Any fraud or misrepresentation by Maker in connection with this Note or any security document;
- b. The retention, after payment of the ordinary and usual operating and maintenance costs and expenses of the property, of any rental or other income arising with respect to the property collected by Maker after Holder has given notice that Maker is in default under this Note or any security document (a "default notice"), to the full extent of such retained rental or other income;
- c. The fair market value, as of the time of any default notice, of any personal property or fixtures comprising the property removed or disposed by Maker, other than in accordance with the terms of any applicable security document;
- d. The retention or misapplication of any insurance proceeds or condemnation or other awards, if and to the extent such sums are required to be made or delivered to Holder and/or used for restoration of the property in accordance with the terms of the Deed of Trust;
- e. The failure to pay when due any taxes and assessments or other fees, charges, cost or expenses which constitute, or failing such payment leads to the imposition on the property or any interest therein of a lien, imposition or encumbrance, which would be payable prior to any of the obligations secured by the security documents or have priority for any reason over any of the security documents; and
- f. Any and all of Holder's costs, expenses, losses, damages, or liabilities, whether incurred prior to or after foreclosure of the Deed of Trust, including, without limitation, attorneys' fees, directly or indirectly arising out of or related to the use, generation, storage, release, threatened release, discharge, disposal or presence on, under or about the property, or transportation to or from the property of any materials, wastes or substances defined or classified as hazardous or toxic under federal, state or local laws, ordinances or regulations. Holder shall have the right to recover its damages hereunder in a separate proceeding brought for that purpose or in any foreclosure action under any of the security documents or by invocation of any of Holder's other rights and remedies thereunder or at law or equity; and Maker's liability under this paragraph shall survive foreclosure under any security document.

To the extent that the provisions of this Amendment are inconsistent with the provisions of the Note or Deed of Trust, the provisions of this Amendment shall control and shall supersede any such inconsistent provisions.

CITADEL REALTY, INC., A DELAWARE CORPORATION

BY: /s/ Steve Wesson

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Steve Wesson, President and Secretary

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[LOGO OF FIDELITY FEDERAL BANK APPEARS HERE]  
[XX] SECOND AMENDMENT TO NOTE  
[ ] AMENDMENT TO DEED OF TRUST

Date: July 28, 1994

Loan Number: 3027749

For value received, the undersigned agrees that the certain Note and/or Deed of Trust of even date herewith in favor of FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK, in the original principal sum of U.S. \$5,775,000.00 is hereby modified by adding the following:

1. The "Late Charge Provision" is modified to provide for a late charge in an amount equal to 5.00% of any late installment instead of 10.00%.
2. If at any time during the term of the Note, the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board (the "Index") is equal to or greater than 8%, then in such event the undersigned shall purchase a 10% one year Treasury Cap (the "CAP"), the benefit of which shall be assigned to Holder. The Cap shall be in effect at all times during the term of the loan when the Index is equal to or greater than 8% and shall be satisfactory to Holder. If the Holder does not purchase such Cap within thirty days after the Index reaches or exceeds 8%, Holder may purchase such Cap for the remaining term of the Loan (a "Life Cap"). In the event Holder purchases a Life Cap, the cost thereof shall be added to the principal balance of the Note. Any recast of the Note as a result of adding such cost to the principal of the Note shall be in accordance with the recast provisions of the Note.

To the extent that the provisions of this Amendment are inconsistent with the provisions of the Note or Deed of Trust, the provisions of this Amendment shall control and shall supersede any such inconsistent provisions.

CITADEL REALTY, INC., A DELAWARE CORPORATION

BY: /s/ Steve Wesson

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Steve Wesson, President and Secretary

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[LOGO OF FIDELITY FEDERAL BANK APPEARS HERE]

## GUARANTY AGREEMENT

Loan No.

This agreement (hereinafter "Guaranty Agreement") is made and entered into this third (3rd) day of August, , 1994, by CITADEL HOLDING CORPORATION, a Delaware corporation,

(hereinafter referred to as "Guarantor"), regardless of number, for the benefit of FIDELITY FEDERAL BANK, a Federal Savings Bank, its successors and/or assigns (hereinafter referred to as the "Bank").

1. The Bank is considering the advisability of making a loan in the original principal amount of \$4,450,000.00 wherein there will be executed a note (hereinafter "Note") secured by deed of trust (hereinafter "Deed of Trust") upon the real property in the County of Maricopa , State of Arizona legally described as:

SEE EXHIBIT A ATTACHED HERETO

commonly known and designated as the Camelback Arboleda Office Complex

to CITADEL REALTY, INC., a subsidiary of Guarantor

(hereinafter referred to as "Borrower"), regardless of number.

2. The Bank is willing to make Borrower such a loan, a condition of which is that Guarantor execute this Guaranty Agreement.

3. Guarantor agrees there is valuable consideration moving from the Bank to Borrower and to Guarantor, and from Borrower and Guarantor to the Bank. Guarantor does hereby unconditionally guarantee and promise to pay to the Bank, on demand, in lawful money of the United States, any and all indebtedness of Borrower to the Bank evidenced by or arising out of or in any way connected with the Note and/or Deed of Trust, and/or any other agreements executed by Borrower pertaining to the loan above mentioned. Guarantor does hereby further unconditionally guarantee and promise to the Bank, on demand of the Bank, to perform all agreements to be performed by Borrower under the Note and/or Deed of Trust and/or any other agreements executed by Borrower pertaining to the loan above mentioned.

4. The obligations of Guarantor hereunder are independent of the obligations of Borrower, and a separate action or actions may be brought and prosecuted against Guarantor whether an action is brought against Borrower or whether Borrower is joined in any such action or actions.

5. Guarantor authorizes the Bank, without notice or demand, and without affecting Guarantor's liability hereunder, from time to time to (a) renew, compromise, extend, accelerate or change the time for payment thereof, or otherwise modify the Note and/or Deed of Trust, or the security therefore, or change any of the promises or agreements mentioned in Section 3 hereof; (b) take and hold security, other than and/or in addition to the Deed of Trust, for the payment of the indebtedness guaranteed and/or the performance of said promises and agreements; and to exchange, enforce, waive and release any security, including the Deed of Trust; (c) apply all security and direct the order or manner of sale thereof as the Bank, in its discretion, may determine; and (d) release or substitute any one or more of the Guarantors.

6. The Bank may, without notice, assign its interest in and to this Guaranty Agreement in whole or in part.

7. Guarantor waives any right to require the Bank to (a) proceed against Borrower; (b) proceed against or exhaust any rights contained in the Deed of Trust or other security; or (c) pursue any other remedy whatsoever in the Bank's power. Until all indebtedness of Borrower to the Bank shall have been paid in full, even though such indebtedness is in excess of Guarantor's liability hereunder, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which the Bank now has or may hereafter have against Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by the Bank. Guarantor waives all presentments, demands for performance, notices of non-performance, notices of dishonor, and notices of the existence, creation or incurrence of new or additional indebtedness.

8. Notwithstanding anything to the contrary in this Guaranty Agreement, Guarantor hereby irrevocably waives all rights it may have at law or in equity (including, without limitation, any law subrogating Guarantor to the rights of the Bank) to seek contribution, indemnification, or any other form of reimbursement from Borrower, any other Guarantor, or any other person now or hereafter primarily or secondarily liable for any obligations of Borrower to the Bank, for any disbursement made by Guarantor under or in connection with this Guaranty Agreement or otherwise.

9. Any indebtedness of Borrower now or hereafter held by Guarantor is hereby subordinated to the indebtedness of Borrower to the Bank, and such indebtedness of Borrower to Guarantor, if the Bank so requires, shall be collected, enforced and received by Guarantor as trustee for the Bank, and shall be paid to the Bank on account of the indebtedness of Borrower to the Bank, but without reducing or affecting, in any manner, the liability of Guarantor under the other provisions of this Guaranty Agreement.

10. If Borrower is a corporation, partnership, or trust, it is not necessary for the Bank to inquire into the powers of Borrower, or of the officers, directors, partners, trustees or agents acting, or purporting to act on Borrower's behalf, and any indebtedness made or created in reliance upon the

professed exercise of such powers shall be guaranteed hereunder.

11. In the event any action or proceeding be brought by the Bank to enforce this Guaranty Agreement, or by or against Guarantor or by the Bank, or both, or the Bank appears in any action or proceeding in any way connected with or arising out of this Guaranty Agreement, then Guarantor agrees to pay Bank's reasonable attorney fees, costs, and expenses, whether any such action or proceeding proceeds to judgment or not. Guarantor waives any right to trial by jury in the event of any such action or proceeding.

12. If this Guaranty Agreement is signed by more than one person, partnership or corporation, then all obligations thereof hereunder shall be joint and several.

13. As used herein, the singular number includes the plural and the masculine gender includes the feminine and neuter.

14. Guarantor hereby acknowledges receipt of a copy of the Note and Deed of Trust referred to herein.

15. This Guaranty is entered into under, and shall be construed in accordance with, the laws of the State of Arizona.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty Agreement the day and year first written above.

CITADEL HOLDING CORPORATION

By: /s/ Andre Shih
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Guarantor
Its: SVP & Treasurer
Acting CFO
-----
Guarantor

STATE OF CALIFORNIA )
COUNTY OF LOS ANGELES )

On August 2, 1994, before me,
-----
personally appeared Andre Shih
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-----,
personally known to me to be the person
whose name is subscribed to the within
instrument, and acknowledged to me
that he executed the same in his
authorized capacity and that by his
signature on the instrument the person
or the entity upon behalf of which the
person acted, executed the instrument.

WITNESS my hand and official seal.

Signature /s/ Winifred T. Dozier
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WINIFRED T. DOZIER
COMM. #987731
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My Comm. Expires March 30, 1997



## LEGAL DESCRIPTION

Escrow/Title No. 9407961

PARCEL NO. 1:

That portion of the Northwest quarter of the Northwest quarter of Section 22, Township 2 North, Range 3 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of the Northwest quarter of the Northwest quarter of said Section 22;

thence West, along the North line of said Section 22, a distance of 652.16 feet;

thence South 00 degrees 44 minutes 50 seconds West, along the West line of the East 652.16 feet of the said Northwest quarter of the Northwest quarter of said Section 22, a distance of 560.05 feet to a point on the South line of the North 560.00 feet of the Northwest quarter of the Northwest quarter of said Section 22, said point being the True Point of Beginning;

thence East along said South line, a distance of 211.99 feet to a point on a line parallel with the East line of said Northwest quarter of the Northwest quarter, said parallel line being 440.17 feet West, as measured along the North line of said Section 22, from the Northeast corner of said Northwest quarter of the Northwest quarter:

thence South 00 degrees 44 minutes 50 seconds West, along last said parallel line, 429.49 feet to the South line of the North half of the South half of the Northwest quarter of the Northwest quarter of said Section 22;

thence North 89 degrees 59 minutes 30 seconds West, along last said South line, a distance of 220.27 feet to a point on the East line of the West half of the Northwest quarter of the Northwest quarter of said Section 22;

thence South 00 degrees 47 minutes 00 seconds West, along last said East line, a distance of 90.00 feet to a point on the South line of the North 90.00 feet of the West half of the South half of the South half of the Northwest quarter of the Northwest quarter of said Section 22;

thence North 89 degrees 59 minutes 30 seconds West, along last said South line, 620.46 feet to the East line of the West 40 feet of said Northwest quarter of Section 22;

thence North 00 degrees 49 minutes 08 seconds East, along last said East line, a distance of 153.35 feet to a point on a line, parallel to the North line of said Section 22, last said parallel line is South 926.25 feet, as measured along the West line of said Section 22, from the Northwest corner of said Section 22;

thence East, along last said parallel line, 257.71 feet;

thence North 45 degrees 52 minutes 51 seconds East, 490.29 feet to the beginning of a tangent curve, concave Westerly, said curve having a radius of 25.00 feet;

thence Northeasterly and Northerly along the arc of said curve, 19.69 feet, to a

EXHIBIT "A" (Page 1 of 3)

## LEGAL DESCRIPTION

Escrow/Title No. 5407961

point of tangency;

thence North 00 degrees 44 minutes 50 seconds East, along said tangent, 7.21 feet to the South line of the North 560.00 feet of the Northwest quarter of the Northwest quarter of said Section 22;

thence East, along said South line, 16.00 feet to the True Point of Beginning;

Except that portion of the Northwest quarter of the Northwest quarter of said Section 22 described as follows:

Beginning at the Southeast corner of the Northeast quarter of the Southwest quarter of said Northwest quarter of the Northwest quarter;

thence South 0 degrees 47 minutes 00 seconds West, along the East line of the West half of said Northwest quarter of the Northwest quarter, a distance of 2.57 feet to the True Point of Beginning;

thence continuing South 0 degrees 47 minutes 00 seconds West, along said East line, a distance of 87.43 feet to a point in the South line of the North 90.00 feet of the West half of the South half of the South half of said Northwest quarter of the Northwest quarter;

thence North 89 degrees 59 minutes 30 seconds West, along said South line, a distance of 31.00 feet to the Point of Beginning of a non-tangent circular curve concave Southwesterly, having a radius point which bears South 67 degrees 18 minutes 39 seconds West a distance of 12.00 feet;

thence Northwesterly along the arc of said curve, a distance of 8.01 feet to the Point of Beginning of a reverse curve, the radius point of which bears North 29 degrees 03 minutes 25 seconds East, a distance of 45.00 feet;

thence Northwesterly, Northerly, Northeasterly and Easterly, along the arc of said reverse curve, a distance of 134.46 feet to the True Point of Beginning.

PARCEL NO. 2:

All easements appurtenant to the Fee Parcel provided for in that certain instrument entitled, Easement Agreement recorded August 31, 1981 in Docket 15484, page 49 and First Supplement recorded in Recording No. 87-664392, records of Maricopa County, Arizona.

PARCEL NO. 3:

The West half of the South half of the South half of the Northwest quarter of the

EXHIBIT "A" (Page 2 of 3)

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## LEGAL DESCRIPTION

Escrow/Title No. 9407961

Northwest quarter of Section 22, Township 2 North, Range 3 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Except the North 90 feet;

Also except the West 40 feet;

Also except the East 30 feet;

Also except the South 50 feet;

also except beginning at the intersection of the North line of said South 50 feet with the East line of the West 40 feet of said West half;

thence Northerly along said East line a distance of 21 feet;

thence Southeasterly to a point in said North line that lies 21 feet East of the Point of Beginning;

thence to the Point of Beginning;

Also except that part of said West half bounded on the East by the West line of said East 30 feet, on the South by the North line of the South 40 feet, and on the Northwest by the arc of a circular curve concave Northwesterly having a tangent length of 12 feet and being tangent to said West line and to said North line.

EXHIBIT "A" (Page 3 of 3)

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## UNSECURED ENVIRONMENTAL INDEMNITY AGREEMENT

This Unsecured Environmental Indemnity Agreement is entered into as of August 3, 1994, by Citadel Realty, Inc., a Delaware corporation ("Borrower" or "Indemnitor"), in favor of Fidelity Federal Bank, a Federal Savings Bank ("Lender"), with reference to the following facts:

A. Lender has or will loan Borrower an amount of up to \$4,450,000, which Loan is evidenced by a Promissory Note ("Note") of even date. Repayment of the Loan is secured by a Deed of Trust, Assignment of Leases, Rents and Proceeds, Security Agreement and Fixture Filing of even date herewith (the "Deed of Trust") executed by Borrower as trustor, in favor of Lender, as beneficiary, encumbering certain real and other property (referred to in the Deed of Trust and herein as the "Premises").

B. As a condition to making the Loan, Lender requires Indemnitor, to the extent required herein, to defend, indemnify and hold harmless Lender from any Environmental Claim, or Requirement of Environmental Law, or the violation of any Environmental Permit, or the release and discharge of Hazardous Materials, as these terms are defined below, which is related to the Premises. Lender would not make the Loan without this Agreement and Indemnitor acknowledges and understands that this Agreement is a material inducement for Lender's agreement to make the Loan. This Indemnity Agreement is not intended to be, nor shall it be, secured by the Deed of Trust and it is not intended to secure repayment of any amounts due upon the Note or otherwise due to Lender under any document or instrument evidencing or securing the Loan.

NOW THEREFORE, Indemnitor agrees as follows:

1. Indemnification.

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- (a) Indemnitor shall defend, indemnify, and hold harmless Lender, its assigns and their respective officers, directors, shareholders, and employees and their respective heirs, legal representatives, successors, and assigns (Lender and all such other persons and entities being referred to herein individually as an "Indemnitee" and collectively as "Indemnitees") from and against all liabilities, losses, costs, damages, expenses or claims, including, but not limited to, remedial, removal, response, abatement, cleanup, legal, investigative, and monitoring costs and other related costs, expenses, losses, damages, penalties, fines, liabilities, obligations, defenses, judgments, suits, proceedings, and disbursements (including, without limitation, reasonable attorneys' and experts' fees and disbursements) of any kind or of any nature whatsoever, which may at any time be imposed upon any Indemnitee, incurred by an Indemnitee, or arise (directly or indirectly): (i) from Requirements of Environmental Law as applied with respect to the Premises, (ii) with respect to

Environmental Claims related to the Premises, (iii) from the failure of Borrower, or any other party directly or indirectly connected with the Premises, from and after the date hereof to obtain, maintain, or comply with any Environmental Permit relating to the Premises; and/or (iv) otherwise from the presence or existence of Hazardous Materials on the Premises which Occur from and after the date hereof, including all consequential damages.

- (b) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature (the "Remedial Work") is reasonably necessary under any applicable local, state or federal law or regulation, any judicial order, or by any governmental or nongovernmental entity or person because of, or in connection with, the presence or suspected presence, release or suspected release, in each case which Occurs from and after the date hereof, of Hazardous Materials in or into the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Premises (or any portion thereof), Indemnitor shall within thirty (30) days after written demand for performance thereof by Indemnitees (or such shorter period of time as may be required under any applicable law, regulation, order or agreement), commence to perform, or cause to be commenced, and thereafter diligently prosecuted to completion, all such Remedial Work. Notwithstanding the foregoing, Indemnitor may contest in good faith the obligation to perform Remedial Work as long as such contest does not subject the Premises to any lien or forfeiture or otherwise further subject the Premises to further material contamination as a result of the release of additional Hazardous Materials or create a substantial risk to persons or property. All Remedial Work shall be performed by one or more contractors, approved in advance in writing by Lender, and under the supervision of a consulting engineer approved in advance in writing by Lender, which approvals in both cases shall not be unreasonably withheld. All costs and expenses of such Remedial Work shall be paid by indemnitor including, without limitation, the charges of such contractor(s) and/or the consulting engineer, and the reasonable attorneys' fees and costs incurred by Indemnitees in connection with monitoring or review of such Remedial Work. In the event Indemnitor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Indemnitees may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall become an Environmental Claim hereunder.
- (c) Anything to the contrary set forth in this Agreement, in the Deed of Trust, or elsewhere notwithstanding, except to the extent the release or

discharge of any Hazardous Materials is the proximate result of the acts or omissions of Indemnitor or its agents or employees, Indemnitor shall not be required to defend, indemnify or hold Lender harmless for any Environmental Claim which are the result of a release of Hazardous Materials in or into the air, soil, groundwater, surface water or soil vapor at, on, under or within the Premises which Occurs after Lender (or its nominee or agent) acquires possession of the Premises or title to the Premises, provided that Lender (or such nominee or agent) knew or should have known that such release of Hazardous Materials was occurring and could have, by the exercise of reasonable good faith efforts, prevented such release, or which occurs as a proximate result of Lender's (or such nominee's or agent's) acts or omissions (i) during such possession or (ii) after Lender acquires title to the Premises. If Lender shall take temporary possession of the Premises and thereafter return such possession to Borrower, the provisions of this Agreement shall continue in full force and effect with respect to any release or discharge of Hazardous Materials occurring after Borrower retakes possession of the Premises.

- (d) This Agreement is solely intended to protect Lender from the matters set forth in the preceding paragraphs 1(a) and 1(b) and is not intended to secure payment of amounts due to Lender under the Deed of Trust. This Agreement is not intended to be, nor shall it be, secured by the Deed of Trust or any other document which secures the Loan (collectively, the "Loan Documents").
- (e) This Agreement, and all rights and obligations hereunder, shall survive performance and repayment of the obligations evidenced by and arising under the Loan Documents, reconveyance of the Deed of Trust, release of other security provided in connection with the Loan, trustee's sale or foreclosure under the Deed of Trust and/or any of the other Loan Documents (whether by deed or other assignment in lieu of foreclosure, or otherwise), acquisition of the Premises by Lender, and transfer of all of Lender's rights in the Loan, the Loan Documents, and the Premises.
- (f) Nothing contained in this Agreement shall prevent or in any way diminish or interfere with any rights and remedies, including without limitation, the right to contribution, which Lender may have against Borrower or any other party under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") (codified at Title 42 U.S.C. Sections 9601 et seq.), as it may be amended from time to time, or any other applicable Federal or state laws.

2. Definitions. For purposes of this Agreement, the following terms

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shall have the following meanings:

- (a) "Environmental Claim" shall include, but not be limited to, any claim, demand, action, suit, loss, cost, damage, fine, penalty, expense, liability, judgment, proceeding, or injury, whether threatened, sought, brought, or imposed, that seeks to impose costs or liabilities for (i) noise emanating from the Premises; (ii) pollution or contamination of the air, surface water, ground water, or land; (iii) solid, gaseous, or liquid waste generation, handling, treatment, storage, disposal, or transportation; (iv) exposure to Hazardous Materials; (v) the manufacture, processing, distribution in commerce, use, or storage of Hazardous Materials; (vi) injury to or death of any person or persons directly or indirectly connected with Hazardous Materials and directly or indirectly related to the Premises; (vii) destruction or contamination of any property directly or indirectly connected with Hazardous Materials and directly or indirectly related to the Premises; or (viii) any and all penalties directly or indirectly connected with Hazardous Materials and directly or indirectly related to the Premises, in each case which Occur during the period of Indemnitor's ownership of the Premises. The term "Environmental Claim" also includes associated (i) costs of removal of any and all Hazardous Materials from all or any portion of the Premises, (ii) costs required to take necessary precautions to protect against the release of Hazardous Materials on, in, under, or affecting the Premises into the air, surface water, ground water, land, any public domain, or any surrounding areas, and (iii) costs incurred to comply, in connection with all or any portion of the Premises or any surrounding areas, with all applicable laws with respect to Hazardous Materials, including any such laws applicable to the work referred to in this sentence. "Environmental Claim" also means any asserted or actual breach or violation of any Requirements of Environmental Law, or any event, occurrence, or condition which Occurs during the period of Indemnitor's ownership of the Premises, as a consequence of which, pursuant to any Requirements of Environmental Law, (i) Borrower, Lender, or any owner, occupant, or person having any interest in the Premises shall be liable or suffer any disability, or (ii) the Premises shall be subject to any restriction on use, ownership, transferability, or (iii) any remedial work shall be required.
- (b) "Environmental Permit" means any permit, license, approval, or other authorization with respect to any activities, operations, or businesses conducted on or in relation to the Premises under any applicable law, regulation, or other subdivision or jurisdiction related to pollution or protection of health or the environment, including laws, regulations, or other requirements relating to emissions, discharges, or releases or threatened releases of Hazardous Materials into ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, generation, treatment, storage, disposal,

transportation, or handling of Hazardous Materials directly or indirectly related to the Premises.

- (c) "Hazardous Materials" shall include without limitation: (i) those substances included within the definitions of "hazardous substances", "hazardous materials", "toxic substances", or "hazardous waste" in CERCLA, the Resource Conservation and Recovery Act of 1987, as amended ("RCRA"), and the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq., and in the regulations promulgated pursuant to said laws; (ii) those substances defined as "special wastes" in A.R.S. (s)49-851, et seq.; (iii) those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto); (v) any material, waste or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (E) flammable explosives; or (F) radioactive materials; and (vi) such other substances, materials and wastes which are or become regulated as hazardous or toxic under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state, or local laws or regulations.
- (d) "Occur" means that the event or matter was caused by actions or omissions which are first taken, or omitted to be taken, or in the case of Hazardous Materials are first discharged or released, or in the case of a violation of Requirements of Environmental Law first happen, in each case on or after the date hereof, except that with respect to any of such items or matters which occur before the date hereof, Occur shall include any increase in the discharge or release, or violation, or the costs of Remedial Work which are caused by the failure of Borrower to take any actions required by this Agreement or Requirements of Environmental Law.
- (e) "Requirements of Environmental Law" means all requirements of environmental or ecological laws or regulations related to the Premises, including all requirements imposed by any law, rule, order, or regulation of any federal, state or local executive, legislative, judicial, regulatory, or administrative agency, board, or authority, which relate to (i) noise; (ii) pollution or protection of the air, surface water, ground water, or land; (iii) solid, gaseous, or liquid waste generation, treatment, storage, disposal, or transportation; (iv) exposure to Hazardous Materials; or (v)



regulation of the manufacture, processing, distribution and commerce, use, or storage of Hazardous Materials.

3. Notice of Actions.

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(a) Upon becoming aware of the following, Borrower shall give prompt written notice to Lender of: (i) any proceeding, inquiry, notice, or other communication by or from any governmental authority, including, without limitation, the Arizona Department of Environmental Quality and the Environmental Protection Agency, to Indemnitor regarding the presence or existence of any Hazardous Material on, under, or about the Premises or any migration thereof from or to the Premises or any actual or alleged Violation of Environmental Law; (ii) all Environmental Claims and any other claims made or threatened against Borrower or the Premises relating to any loss or injury resulting from or pertaining to any Hazardous Material or any alleged breach or violation of any Requirements of Environmental Law; (iii) Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that might reasonably cause the Premises or any part thereof to be subject to any restrictions on ownership, occupancy, transferability, or use, or subject the owner or any person having any interest in the Premises to any liability, penalty, or disability under any Environmental Law; and (iv) Borrower's receipt of any notice or discovery of any information regarding any actual or alleged use, production, storage, spillage, seepage, release, discharge, disposal or any other presence or existence of any Hazardous Material on, under, or about the Premises, or any alleged breach or violation of any Requirements of Environmental Law pertaining to Borrower or the Premises. With respect to the obligations of this subsection, Borrower has expressly informed Lender regarding the nearby real property that is the subject of the Complaint and Consent Decree entered May 25, 1994 in Arizona v. Bank One, Civ. -----

No. 94-0082 PHX PGR (D. Ariz., filed January 11, 1994).

(b) Promptly upon receipt of the same, Borrower shall deliver to Lender copies of any and all Environmental Claims, and any and all orders, notices, permits, applications, reports, and other communications, documents, and instruments pertaining to the actual, alleged, or potential presence or existence of any Hazardous Material on, under, or about the Premises. With respect to the obligations of this subsection and the lawsuit mentioned above, Borrower has furnished such information to the extent requested by Lender, and Borrower is under no further obligation unless Lender requests additional information.

- (c) If Lender reasonably believes that Borrower is not adequately protecting Lender's interest in such action, Lender shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions in connection with the Premises involving any Environmental Claim, any Hazardous Material or any Requirements of Environmental Law, and to the extent that Borrower is otherwise obligated to indemnify Lender hereunder, Borrower shall also reimburse Lender upon demand for all of Lender's costs and expenses in connection therewith, including attorneys' fees.

4. Procedures Relating to Indemnification.  
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- (a) To the extent of any matter or matters arising under or within Section 1 above which are Indemnitor's responsibility, Indemnitor shall at its own cost, expense, and risk: (i) defend all suits, actions, or other legal or administrative proceedings that may be brought or instituted against an Indemnitee or Indemnitees, as the case may be, on; (ii) pay in or satisfy any judgment or decree that may be recorded against an Indemnitee or Indemnitees, as the case may be, in any such suit, action, or other legal or administrative proceedings; (iii) reimburse Indemnitee or Indemnitees, as the case may be, for the cost of, or for any payment made by any of them, with respect to any reasonable expenses incurred in connection with the Hazardous Materials undertaken as a result of any demands, causes of actions, lawsuits, proceedings, or any other claims threatened, made, or brought against any Indemnitee or Indemnitees, as the case may be, arising out of the obligations of Indemnitor under this Agreement; and (iv) reimburse Indemnitee or Indemnitees, as the case may be, for any and all expenses, including, but not limited to, all legal expenses arising out of or attributable to, the above acts or in connection with enforcing the rights of Indemnitees under this Agreement or in monitoring and participating in any action, proceeding, or litigation.
- (b) Counsel selected by Indemnitor pursuant to Section 4(a) above shall be subject to the reasonable approval of the Indemnitee or Indemnitees, as the case may be, asserting a claim hereunder; provided, however, that Indemnitee or Indemnitees, as the case may be, may elect to defend any such claim, lawsuit, action, legal or administrative proceeding at the cost and expense of Indemnitor, if, in the reasonable judgment of the Indemnitee or Indemnitees, as the case may be, (i) the defense is not proceeding or being conducted in a satisfactory manner, or (ii) there is a conflict of interest between any of the Indemnitor and any Indemnitees.

(c) Notwithstanding anything in this Agreement to the contrary, Indemnitor shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld or delayed), (i) settle or compromise any action, suit, proceeding, or claim or consent to the entry of any judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to Lender of a written release of Lender (in form, scope and substance reasonably satisfactory to Lender in its discretion) from all liability in respect of such action, suit, or proceeding; or (ii) settle or compromise any action, suit, proceeding, or claim in any manner that may materially and adversely affect Lender as determined by Lender in its reasonable discretion. In any circumstances in which this indemnity applies, Lender may employ its own legal counsel and consultants to prosecute, negotiate, or defend any such claim, action, or cause of action, and Lender shall have the right to compromise or settle the same in good faith without the necessity of showing actual liability therefor, and without the consent of Indemnitor. In any circumstances where this indemnity applies, Indemnitor shall reimburse Lender upon demand for all costs and expenses incurred by Lender, including the amount of all costs of settlements entered into in good faith, and the fees and other costs and expenses of such attorneys and consultants.

5. Binding Effect. This Agreement shall be binding upon and to the benefit

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of Indemnitor and Indemnitees and their respective successors and assigns, including as to Lender, without limitation, any affiliate of Lender which acquires all or part of the Premises by any sale, assignment or foreclosure under the Deed of Trust, by deed or other assignment in lieu of foreclosure, or otherwise.

6. Limitation of Liability of Indemnitees. Notwithstanding any ownership

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by any Indemnitee at any time of all or any portion of the Premises, in no event shall any Indemnitee (including any successor or assign as holder of the Note) be bound by any obligations or liabilities of any of the Indemnitor.

7. Liability of Indemnitor. The liability of Indemnitor under this

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Agreement shall in no way be limited or impaired by, any amendment or modification or the provisions of the Loan Documents to or with Lender by Borrower or any person who succeeds Borrower as owner of the Premises. In addition, the liability of Indemnitor under this Agreement shall in no way be limited or impaired by (i) any extensions of time for performance required by any of the Loan Documents; (ii) any sale, assignment, or foreclosure of the Note or Deed of Trust or any sale or transfer of all or part of the Premises; (iii) any exculpatory provision in any of the Loan Documents or any statute limiting Lender's recourse to property encumbered by the Deed of Trust or to any other security, or limiting Lender's rights to a deficiency judgment against Borrower; (iv) the accuracy or inaccuracy of the representations and warranties made by Borrower under any of the Loan Documents; (v) the release of Borrower or any other person or entity from performance or observance of any of the agreements, covenants, terms, or

conditions contained in any of the Loan Documents by operation of law, Lender's voluntary act, or otherwise; (vi) the release or substitution in whole or in part of any security for the obligations of Borrower under the Loan Documents; or (vii) Lender's failure to record the Deed of Trust or file any UCC financing statements (or Lender's improper recording or filing of any thereof) or to otherwise perfect, protect, secure, or insure any security interest or lien given as security for the repayment of obligations under the Loan Documents; and, in any such case, whether with or without notice to Borrower and with or without consideration.

8. Waiver. Indemnitor waives any right or claim of right to cause a

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marshalling of the assets of Indemnitor or to cause Lender to proceed against any of the security for the Loan Documents before proceeding under this Agreement against Indemnitor or to proceed against Indemnitor in any particular order. Indemnitor agrees that any payments required to be made hereunder shall become due on demand. Indemnitor expressly waives and relinquishes all rights and remedies accorded by applicable law to Indemnitor or guarantors, except any rights of subrogation that Indemnitor may have, provided that the indemnity provided for hereunder shall neither be contingent upon the existence of any such rights of subrogation nor subject to any claims or defenses whatsoever that may be asserted in connection with the enforcement or attempted enforcement of such subrogation rights, including, without limitation, any claim that such subrogation rights were abrogated by any acts of Lender, including, without limitation, a trustee's sale or foreclosure sale under the Deed of Trust. Indemnitor hereby agrees to postpone the exercise of any and all rights of subrogation to the rights of Lender against Indemnitor hereunder and any rights of subrogation to any collateral securing the Loan until the Loan shall have been paid in full.

9. Delay. No delay on Lender's part in exercising any right, power, or

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privilege under any of the Loan Documents shall operate as a waiver of any such privilege, power, or right.

10. Execution. This Agreement may be executed in one or more

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counterparts, each of which shall be deemed as original.

11. Notices.

- (a) All notices, consents, approvals, elections and other communications (collectively "Notices") hereunder shall be in writing (whether or not the other provisions of this Agreement expressly so provide) and shall be deemed to have been duly given if mailed by United States or Canadian registered or certified mail, with return receipt requested, postage prepaid, or by United States Express Mail or courier service to the parties at the following addresses (or at such other addresses as shall be given in writing by any party to the others pursuant to this Section) and shall be deemed complete upon receipt or refusal to accept delivery as indicated in the return receipt or in the receipt of such Express Mail or courier service;

To Indemnitor: Citadel Realty, Inc.  
600 North Brand Boulevard  
Glendale, California 91209

To Lender: Fidelity Federal Bank  
600 North Brand Boulevard  
P. O. Box 1631  
Glendale, California 91209

(b) In the event of any strike or occurrence of another similar event which interrupts mail service, notices may be served personally upon an individual, trustee, partner, or an officer or director of a corporation which is or is part of the party being served hereunder (all at the address set forth in this Section).

12. Attorney's Fees. In the event that Indemnitor or any Indemnitee

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brings any suit or other proceeding with respect to the subject matter or enforcement of this Agreement, the prevailing party (as determined by the court, agency or other authority before which such suit or proceeding is commenced) shall, in addition to such other relief as may be awarded, be entitled to recover attorneys' fees, expenses and costs of investigation incurred in appellate proceedings, costs incurred in establishing the right to indemnification, or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11 or 13 of the Bankruptcy Code, 11 United States Code Sections 101 et seq., or any successor statutes.

13. Successive Actions. A separate right of action hereunder shall arise

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each time Lender acquires knowledge of any matter described in Sections 1 or 3 hereof. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action, and Borrower hereby waives and covenants not to assert any defense in the nature of splitting of causes of action or merger of judgments.

14. Partial Invalidity. If any provision of this shall be determined to

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be unenforceable in any circumstances by any court of competent jurisdiction, then the balance of this Agreement nevertheless shall be enforceable, and the subject provision shall be enforceable in all other circumstances.

15. Interest on Unpaid Amounts. All amounts required to be paid or

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reimbursed to any Indemnitee hereunder shall bear interest from the date of expenditure by such Indemnitee or the date of written demand to any Indemnitor hereunder, whichever is earlier, until paid to Indemnitee(s). The interest rate shall be equal to the Default Rate of interest set forth in the Note.

16. Governing Law. This Agreement and the rights and obligations of the  
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parties hereunder shall in all respects be governed by, and construed and  
enforced in accordance with, the laws of the State of Arizona.

IN WITNESS WHEREOF, Indemnitor has executed this Unsecured Indemnity  
Agreement as of the date set forth above.

BORROWER:

CITADEL REALTY, INC.,  
a Delaware corporation

By: /s/ Steve Wesson

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Its: President  
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[LOGO OF FIDELITY FEDERAL BANK]  
UNSECURED ENVIRONMENTAL INDEMNITY AGREEMENT

Loan No. 3027749

This INDEMNITY AGREEMENT is entered into as of July 28, 1994, by CITADEL REALTY, INC., A DELAWARE CORPORATION ("Indemnitor") and FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK ("Lender").

- A. Indemnitor is the owner of certain real property located in the City of Los Angeles, County of Los Angeles, State of California, more particularly described in the Deed of Trust and Assignment of Rents (the "Deed of Trust") by Indemnitor, as Trustor, to Gateway Mortgage Corporation, as Trustee, in favor of Lender as Beneficiary being executed concurrently herewith (collectively, the "Property").
- B. Indemnitor has requested a loan from Lender in the original principal amount of U.S. \$5,775,000.00 ("Loan"), to be evidenced by a Promissory Note ("Note"), and secured by the Deed of Trust.
- C. In consideration of Lender granting the Loan to Indemnitor, Indemnitor has agreed to indemnify and hold harmless Lender against any liability or loss from claims or causes of action due to the failure of Indemnitor or the Property to comply with any local, state or federal laws or regulations relating to industrial hygiene and environmental conditions on the Property.

In consideration of the granting of the Loan, and other good and valuable consideration actually received, Indemnitor and Lender agree as follows:

- 1. Indemnitor shall keep and maintain the Property in compliance with and not cause or permit the Property to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or hazardous waste or to the environmental conditions on, under or about the Property, including but not limited to, soil and ground water conditions. Indemnitor shall not use, generate, manufacture, store or dispose of on, under or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including, without limitation, any substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations now or hereafter in effect (collectively "Hazardous Materials"). To the best of Indemnitor's knowledge, no Hazardous Materials are located on or below the Property, except as may be disclosed on that certain Phase I environmental report prepared for Lender with respect to the property.
- 2. Indemnitor shall immediately advise Lender in writing of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials affecting the Property ("Hazardous Materials Laws"); (ii) all claims made or threatened by any third party against Indemnitor or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as "Hazardous Materials Claims"); and (iii) Indemnitor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as "border-zone property" under California Health and Safety Code, Sections 25220 et seq. or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Laws.
- 3. Without Lender's prior written consent, Indemnitor shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Property, nor enter into any settlement, consent or compromise which might, in Lender's reasonable judgment, impair the value of the Lender's security under the Deed of Trust; provided, however, that Lender's prior consent shall not be necessary if the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not possible to obtain Lender's consent before taking such action. In such event Indemnitor shall notify Lender as soon as practicable of any actions so taken. Lender agrees not to withhold its consent, where such consent is required hereunder, if either (i) a particular remedial action is ordered by a court of competent jurisdiction, or (ii) Indemnitor establishes to the reasonable satisfaction of Lender that there is no reasonable alternative to such remedial action which would result in less impairment of Lender's security hereunder.

ALL TERMS AND CONDITIONS CONTINUED ON THE REVERSE SIDE ARE INCLUDED IN THIS INDEMNITY AGREEMENT.

CITADEL REALTY, INC., A DELAWARE CORPORATION

/s/ Steven Wesson

BY: \_\_\_\_\_  
Steve Wesson,  
President and Secretary

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BY: /s/ Godfrey B. Evans

BY: -----

Godfrey B. Evans,  
Executive Vice President and Secretary

Assistant Secretary



UNSECURED ENVIRONMENTAL INDEMNITY AGREEMENT  
(Continued)

4. Indemnitor hereby agrees to indemnify and defend Lender and hold Lender, its directors, officers, employees, agents, successors and assigns, harmless from and against any and all claims, losses, damages (including consequential damages), liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including but not limited to attorneys' fees and expenses), arising directly or indirectly, in whole or in part, out of (i) the presence on, under or about the Property of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under or from the Property (ii) the costs of any required or necessary repair, cleanup or detoxification of the Property, and the preparation and implementation of any closure, remedial or other required plans, or (iii) any activity carried on or undertaken on or off the Property, whether prior to or during the term of the Loan, and whether by Indemnitor or any predecessor in title or any employees, agents, contractors or subcontractors of Indemnitor or any predecessor in title, or any third persons at any time occupying or present on the Property, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials at any time located or present on, under or about the Property. The foregoing indemnity shall further apply to any residual contamination on, under or about the Property, or affecting any natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances.

If, in Lender's reasonable judgment, Lender believes that Indemnitor is not adequately protecting Lender's interest in the property, Lender shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees and expenses in connection therewith paid by Indemnitor, or to be defended by Indemnitor from and against any Hazardous Materials Claims with counsel chosen by Lender.

5. This Agreement shall be an unsecured obligation of Indemnitor to Lender, notwithstanding any provision of the Deed of Trust or any other agreement which might be construed to secure this Agreement. This Agreement shall survive the repayment of the Note and the reconveyance of the Deed of Trust, or the transfer of title to the Property through judicial or nonjudicial foreclosure or pursuant to a deed in lieu of foreclosure.
6. Should any party hereto engage an attorney or institute any action or proceeding at law or in equity, or in connection with an arbitration, to enforce any provision of this Agreement, including an action for declaratory relief, or for damages by reason of an alleged breach of any provision of this Agreement, or otherwise in connection with this Agreement, or any provision thereof, the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs for services rendered to the prevailing party in such action or proceeding.
7. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within California.
8. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions contained herein and any present or future statute, law, ordinance or regulation, the latter shall prevail; but the provision of this Agreement which is affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law.
9. No amendment, change or modification of this Agreement shall be valid, unless in writing and signed by all of the parties hereto.
10. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.
11. This Agreement constitutes the entire understanding and agreement of the parties with respect to its subject matter and any and all prior agreements, understandings or representations with respect to its subject matter are hereby terminated and cancelled in their entirety and are of no further force or effect.
12. No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any proceeding or succeeding breach of the same or any other provision hereof.
13. The obligations hereunder are joint and several. Lender shall have the right to seek recourse against Indemnitor to the full extent provided herein. No election in one form of action or proceeding, or against any party, or on any obligations, shall constitute a waiver of Lender's right to proceed in any other form of action or proceeding or against any other party.
14. In this Agreement, the singular shall include the plural and this Agreement shall be the joint and several obligation of each maker.

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REGISTRATION RIGHTS AGREEMENT

Dated as of June 30, 1994

Between

FIDELITY FEDERAL BANK, A Federal Savings Bank,

CITADEL HOLDING CORPORATION

and certain

HOLDERS OF CLASS C COMMON STOCK  
OF FIDELITY FEDERAL BANK

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REGISTRATION RIGHTS AGREEMENT

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REGISTRATION RIGHTS AGREEMENT, dated as of June 30, 1994, by and among Fidelity Federal Bank, A Federal Savings Bank ("FFB"), Citadel Holding Corporation, a Delaware corporation ("Citadel") and the Class C Holders.

1. Certain Definitions.

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As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" of any Person means any other Person directly or

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indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Citadel" shall have the meaning assigned to such term in the preamble

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to this Agreement.

"Class A Common Stock" shall mean the Class A Common Stock, par value

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\$0.01 per share, of FFB.

"Class B Common Stock" shall mean the Class B Common Stock, par value

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\$0.01 per share, of FFB.

"Class B Holder" shall mean Citadel and each of its respective

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successive successors and assigns as shown in the stock register of FFB who acquire Registrable Securities, directly or indirectly, from Citadel or from any successive successor or assign of Citadel.

"Class C Common Stock" shall mean the Class C Common Stock, par value

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\$0.01 per share, of FFB.

"Class C Holder" shall mean the holders from time to time of Class C

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Common Stock.

"Closing Date" shall mean the date of consummation of the offering and

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sale by FFB of the Registrable Securities.

"Combined Maximum Number" shall have the meaning assigned to such term  
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in Section 2(b)(iv) of this Agreement.

"Common Stock" shall mean, collectively, the Class A Common Stock,  
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Class B Common Stock, Class C Common Stock and any other class of Common Stock  
of FFB.

"Demand Expiration Date" shall mean March 31, 1998 unless extended  
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pursuant to Section 2(a)(vi) of this Agreement.

"Demand Notice" shall have the meaning assigned to such term in  
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Section 2(a)(iii) of this Agreement.

"Demand Securities" shall have the meaning assigned to such term in  
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Section 2(a)(iii) of this Agreement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, or any  
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successor thereto, as the same shall be amended from time to time.

"FFB" shall have the meaning assigned to such term in the preamble to  
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this Agreement.

"FFB Information" shall have the meaning assigned to such term in  
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Section 9 of this Agreement.

"First Offer Notice" shall have the meaning assigned to such term in  
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Section 2(a)(iii) of this Agreement.

"First Offer Price" shall have the meaning assigned to such term in  
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Section 2(a)(iii) of this Agreement.

"Form 0C" shall mean the applicable registration statement of FFB  
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relating to the registration with the OTS for offering and sale of the  
Registrable Securities, including all exhibits thereto and any documents  
incorporated by reference therein.

"Form 10-K Filing Date" shall mean the date of the filing by FFB of  
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its annual report on Form 10-K for the first fiscal year of FFB ending after the  
Closing Date.

"Holder" shall have the meaning assigned to such term in Section  
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2(b)(i) of this Agreement.

"Information Statement" shall have the meaning assigned to such term  
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in Section 9 of this Agreement.

"Maximum Number" shall have the meaning assigned to such term in  
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Section 2(a)(v) of this Agreement.

"OTS" shall mean the Office of Thrift Supervision and any successor  
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government agency.

"Person" shall mean a corporation, association, partnership,  
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organization, business, individual, government or political subdivision thereof  
or governmental agency.

"Piggyback Class B Expiration Date" shall mean March 31, 1999.  
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"Piggyback Class C Expiration Date" shall mean March 31, 2005.  
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"Primary Maximum Number" shall have the meaning assigned to such term  
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in Section 2(b)(ii) of this Agreement.

"Registrable Class B Securities" shall mean the 4,120,000 shares of  
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Class B Common Stock of FFB (which number of shares may be reduced as described  
in the Form OC) outstanding on the Closing Date, and any securities of FFB  
issued successively in exchange for, on conversion of or in respect of any such  
shares, whether as a result of any successive stock split or reclassification  
of, or stock dividend on, any of the foregoing or otherwise; provided, however,  
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that such shares of Class B Common Stock or securities shall cease to be  
Registrable Securities when (i) a Form OC registering such shares of Class B  
Common Stock or securities, as the case may be, under the Securities Regulations  
has been declared effective and such shares of Class B Common Stock or  
securities, as the case may be, have been sold or otherwise transferred by the  
Class B Holder thereof pursuant to such effective Form OC or (ii) such shares of  
Class B Common Stock or securities, as the case may be, are converted to shares  
of Class A Common Stock and the holder thereof is thereafter free to resell such  
shares without having to register such shares for sale under the Securities  
Regulations.

"Registrable Class C Securities" shall mean the shares of Class C  
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Common Stock of FFB issued on the Closing Date, and any securities of FFB issued  
successively in exchange for, on conversion or in respect of any such shares,  
whether as a result of any successive stock split or reclassification of, or  
stock dividend on, any of the foregoing or otherwise; provided, however, that  
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such shares of Class C Common Stock or securities shall cease to be Registrable  
Securities when (i) a Form OC registering such shares of Class C Common Stock or  
securities, as the case

may be, under the Securities Regulations has been declared effective and such shares of Class C Common Stock or securities, as the case may be, have been sold or otherwise transferred by the Class C Holder thereof pursuant to such effective Form OC or (ii) such shares of Class C Common Stock or securities, as the case may be, are converted into shares of Class A Common Stock.

"Registrable Securities" shall mean the Registrable Class B Securities  
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and the Registrable Class C Securities.

"Registration Expenses" shall have the meaning assigned thereto in  
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Section 4 of this Agreement.

"Requesting Stockholder" shall have the meaning assigned to such term  
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in Section 2(b)(iii) of this Agreement.

"Restructuring" shall have the meaning assigned thereto in the Form OC  
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(OTS Docket No. 5770) filed by FFB with the OTS in the form declared effective by the OTS.

"Right of First Offer" shall have the meaning assigned to such term in  
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Section 2(a)(iii) of this Agreement.

"Securities Act" shall mean the Securities Act of 1933, or any  
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successor thereto, as the same shall be amended from time to time.

"Securities Regulations" shall mean the securities offering  
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regulations set forth as 12 C.F.R. Part 563g, or any successor thereto, as the same shall be amended from time to time, together with all interpretations of the OTS thereunder.

"Selling Stockholder" shall, in the case of a registration pursuant to  
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Section 2(a) of this Agreement, have the meaning assigned to such term in Section 2(a)(iii) of this Agreement and, in the case of a registration pursuant to Section 2(b) of this Agreement, have the meaning assigned to such term in Section 2(b)(i) of this Agreement.

2. Registration Under the Securities Regulations.  
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(a) Demand Registrations.  
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(i) At any time on or after the end of the first fiscal year of FFB ending after the Closing Date and before



the Demand Expiration Date, the Class B Holder or Class B Holders of more than 50% of the Registrable Class B Securities may, by giving written notice thereof to FFB, require FFB to use its best efforts to register all or a portion of its or their Registrable Class B Securities under the Securities Regulations; provided, however, that in any event FFB shall be obligated to register such

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Registrable Class B Securities upon such election only if the Registrable Class B Securities to be registered, in the aggregate, constitute 5% or more of the then outstanding Registrable Class B Securities; and provided, further, that FFB

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shall be obligated to register such Registrable Class B Securities upon such election only if the Registrable Class B Securities to be registered are proposed to be sold (1) on a firm commitment underwritten basis managed by a managing underwriter or underwriters selected pursuant to Section 7(a) hereof or, (2) with respect to no more than one registration effected pursuant to this Section 2(a), pursuant to a rights offering, and provided, further, that no

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registration statement filed by FFB pursuant to this Section 2(a) shall become effective prior to the Form 10-K Filing Date without the prior written consent of the holders of a majority of shares of Class A Common Stock then outstanding (which holders shall be third party beneficiaries of this proviso and entitled to enforce directly the requirement in this proviso that such consent be obtained). Promptly following such election, FFB shall (1) give notice to each other Class B Holder of Registrable Securities of such election and (2) prepare and file, and use its best efforts to cause to be declared or become effective under the Securities Regulations, a Form OC providing for the registration of, and the sale by the electing Class B Holders of, such Registrable Securities. FFB shall include in such Form OC such additional Registrable Securities, if any, for which it has received written requests to register by such other Class B Holders within 15 days after FFB's written notice to such other Class B Holders. FFB shall be required to file or cause to become effective no more than one Form OC in any six month period and not more than three Form OCs in the aggregate pursuant to this Section 2(a). Notwithstanding the foregoing, FFB shall not be obligated to register Registrable Securities upon any election pursuant to this Section 2(a)(i) if fewer than 120 days or such shorter period as may be required by any managing underwriter or underwriters, have elapsed after the effective date of a Form OC registering newly issued or treasury shares of FFB's capital stock, or securities convertible into or exchangeable for, or representing the right to acquire shares of FFB's capital stock for purposes of a primary offering (as defined in Section 2(b)(i) hereof) on a firm

commitment underwritten basis. In connection with any registration effected pursuant to this Section 2(a) with respect to a rights offering, such registration shall be effected on a "shelf" registration statement providing for the registration of, and the sale on a continuous basis of, the Registrable Securities to be covered thereby, and FFB agrees to keep such registration statement continuously effective for a period of 60 days after the effective date thereof.

(ii) In the event that Selling Stockholders that hold more than 50% of the Registrable Securities for which registration has been requested pursuant to Section 2(a)(i) hereof determine for any reason not to proceed with such registration at any time before the Form OC has been declared effective, and such Form OC, if theretofore filed, is withdrawn with respect to the securities covered thereby, and such Selling Stockholders agree to bear their own expenses incurred in connection therewith and to reimburse FFB for the out-of-pocket expenses incurred by it attributable to the registration of such Registrable Securities, then such Selling Stockholders shall not be deemed to have exercised their right to require FFB to register Registrable Securities pursuant to Section 2(a)(i) hereof.

(iii) In the event that any Class B Holder of Registrable Securities elects to require FFB to use its best efforts to register the Registrable Securities held by such Class B Holder pursuant to Section 2(a)(i) hereof (a "Selling Stockholder" and, collectively, the "Selling Stockholders") and such Selling Stockholder has duly delivered a notice in writing to FFB to such effect pursuant to Section 2(a)(i) hereof (the "Demand Notice"), FFB shall, in the case of the first Demand Notice delivered pursuant hereto, have an option (the "Right of First Offer") to purchase all, but not less than all, of such Selling Stockholder's Registrable Securities for which registration was demanded (the "Demand Securities") for a consideration which shall consist purely of cash at a per share price specified by such Selling Stockholder in good faith as its estimate of the price per share at which such shares will be sold pursuant to such registration (the "First Offer Price") in the Demand Notice. Within fifteen (15) days of the receipt of the Demand Notice, FFB shall give written notice (the "First Offer Notice") to the Selling Stockholder as to whether FFB elects to exercise its Right of First Offer. If FFB elects to exercise its Right of First Offer, such First Offer Notice shall be deemed a commitment to purchase the Demand Securities, at such First Offer Price on the date specified in such First Offer Notice, but in no event more

than thirty (30) days after the date of such First Offer Notice, subject to the receipt of all required regulatory approvals and to the other conditions in this Section 2(a)(iii). If FFB declines to exercise such Right of First Offer, FFB shall use its best efforts to register the Demand Securities subject to the conditions and according to the terms of Section 2(a)(i) hereof.

(iv) In the event that a Selling Stockholder elects to require FFB to use its best efforts to register the Registrable Securities held by such Selling Stockholder pursuant to Section 2(a)(i) hereof, such Selling Stockholder has duly delivered to FFB a Demand Notice pursuant to Section 2(a)(i) hereof and FFB has elected not to exercise its Right of First Offer with respect to such Registrable Securities pursuant to Section 2(a)(iii) hereof, FFB shall have the option, subject to Section 2(a)(v) below, to include in the Form OC relating to the Demand Securities, any or all shares, rights or securities of FFB proposed to be issued by FFB or held by any other stockholder which FFB, in its sole discretion (subject to Section 2(b) hereof), elects to include therein.

(v) In the event that FFB is required to register Registrable Securities upon the demand of a Selling Stockholder and any managing underwriter shall advise the Selling Stockholders participating in such registration in writing that, in its opinion, the inclusion in the Form OC of some or all of the shares, rights or securities sought to be registered pursuant to Section 2(b) or (a)(iv) and of the Registrable Securities sought to be registered by the Selling Stockholders creates a risk that the price per security that such Selling Stockholders will derive from such registration will be adversely affected or that the number of shares, rights or securities sought to be registered is too large a number to be reasonably sold, FFB will include in such Form OC such number of shares, rights or securities as the Selling Stockholders are so advised can reasonably be sold in such offering, or can be sold without such an effect (the "Maximum Number") as follows and in the following order of priority (A) first, Registrable Securities of each Selling Stockholder requesting registration under this Section 2(a), pro rata in proportion to the number

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sought to be registered by each such Selling Stockholder, (B) second, if and to the extent that the Maximum Number exceeds the number of Demand Securities, such number of shares of Common Stock as are entitled to be registered pursuant to Section 2(b) hereof and (C) third, if and to the extent that the Maximum Number exceeds the sum of the number of Demand Securities and the number of shares of Common Stock registered pursuant to clause (B) of this

Section 2(a)(v), such number of shares, rights or other securities to be issued by FFB or sold by any stockholder as FFB may, in its sole discretion, elect pursuant to Section 2(a)(iv) hereof.

(vi) The obligations of FFB under this Section 2(a) are subject to the condition that FFB shall be entitled to postpone for up to six months once in any twelve month period the filing of any Form OC otherwise required to be prepared and filed by it pursuant to this Section 2(a) if, at the time it receives requests for registration pursuant thereto, the Board of Directors of FFB determines, in good faith, that the filing of such Form OC and the offering of Registrable Securities pursuant thereto would materially interfere with any material financing, acquisition, corporate reorganization or other material transaction by FFB, and FFB promptly gives the Selling Stockholders written notice of such determination. If FFB shall so postpone the filing of a Form OC, (i) the Selling Stockholders shall have the right to withdraw the requests for registration by giving written notice to FFB within thirty days after receipt of FFB's notice of postponement and, in the event of such withdrawal, such requests shall not be counted as being requests for one of the three Form OCs that FFB is obligated to prepare, file and use its best efforts to cause to become effective pursuant to this Section 2(a) and (ii) the Demand Expiration Date shall be extended by the total number of days by which the filing of a Form OC is postponed on one or more occasions pursuant to this Section 2(a)(vi).

(b) "Piggy-Back" Registrations.  
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(i) If, at any time on or after the Closing Date and before the Piggyback Class B Expiration Date with respect to Registrable Class B Securities or the Piggyback Class C Expiration Date with respect to Registrable Class C Securities, FFB proposes to register any of its Common Stock under the Securities Regulations on a statement on Form OC for purposes of an offering or sale by or on behalf of FFB of its Common Stock for its own account (a "primary offering"), or upon the request or for the account of any holder of its Common Stock (a "secondary offering"), or for purposes of a combined primary and secondary offering (a "combined offering"), then each such time FFB shall, at least twenty (20) business days prior to the time when any such Form OC is filed with the OTS, give prompt written notice to the Class B Holders and the Class C Holders (each a "Holder" and, collectively, the "Holders") of its intention to do so. Such notice shall specify, at a minimum, the number and class of shares so proposed to be registered, the proposed date of filing of such Form OC, any

proposed means of distribution of such shares, any proposed managing underwriter or underwriters of such shares and a good faith estimate by FFB of the proposed maximum offering price thereof, as such price is proposed to appear on the facing page of such Form OC. Upon the written direction of any Holder, given within fifteen (15) business days following the receipt by such Holder of any such written notice (which direction shall specify the number of Registrable Securities intended to be disposed of by such Holder and the intended method of distribution thereof), FFB shall include in such Form OC any or all of the Registrable Securities then held by each such Holder requesting such registration (each such Holder a "Selling Stockholder") to the extent requested by such Selling Stockholder. Such Holder shall be entitled to have such shares included in any underwritten offering, placement agency arrangement or other plan of distribution relating to the Common Stock registered by FFB for purposes of an offering or sale by FFB for its own account. Notwithstanding the foregoing, no Holder of Registrable Securities shall have any right hereunder if the registration proposed to be effected by FFB relates solely to shares of Common Stock or other equity securities of FFB which are issuable solely to officers or employees of FFB or any subsidiary thereof pursuant to a bona fide employee stock option, bonus or other employee benefit plan or arrangement or in a merger involving FFB or a subsidiary of FFB or an exchange offer or rights offering by any Person. The rights granted to the Holders under this Section 2(b) shall expire (1) as to any Registrable Class B Securities on the Piggyback Class B Expiration Date and (2) as to any Registrable Class C Securities on the Piggyback Class C Expiration Date.

(ii) In the event that FFB proposes to register shares of Common Stock for purposes of a primary offering, and any managing underwriter shall advise FFB and the Selling Stockholders in writing that, in its opinion, the inclusion in the Form OC of some or all of the Registrable Securities sought to be registered by such Selling Stockholders creates a risk that the price per security FFB will derive from such registration will be adversely affected, then FFB shall include in such Form OC such number of shares or securities as FFB and such Selling Stockholders are so advised can be sold in such offering without such an effect (the "Primary Maximum Number"), as follows and in the following order of priority: (A) first, such number of shares offered by FFB as FFB, acting in good faith, shall have determined and (B) second, if and to the extent that the number of shares to be registered under clause (A) is less than the Primary Maximum Number, Registrable Securities of each such Selling Stockholder, pro rata in proportion to

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the number sought to be registered by such Selling Stockholder.

(iii) In the event that FFB proposes to register shares of Common Stock for purposes of a secondary offering upon the request or for the account of any holder thereof (each a "Requesting Stockholder"), and any managing underwriter shall advise the Requesting Stockholder or Stockholders and the Selling Stockholders in writing that, in its opinion, the inclusion in the Form OC of some or all of the shares sought to be registered by the Requesting Stockholders and of the Registrable Securities sought to be registered by the Selling Stockholders creates a risk that the price per security that such Requesting Stockholder or Stockholders and such Selling Stockholders will derive from such registration will be adversely affected or that the number of shares sought to be registered (including any securities sought to be registered at the instance of the Requesting Stockholder or Stockholders and those sought to be registered by the Selling Stockholders) is too large a number to be reasonably sold, FFB will include in such Form OC such number of shares as the Requesting Stockholders and the Selling Stockholders are so advised can reasonably be sold in such offering, or can be sold without such an effect (the "Secondary Maximum Number"), as follows and in the following order of priority: (A) if such registration is other than pursuant to a demand made under Section 2(a) hereof, pro rata in proportion to the number of shares sought to be registered by all

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such parties and (B) if such registration is pursuant to a demand made under Section 2(a) hereof, as provided in Section 2(a)(v) hereof, pro rata among the

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Selling Stockholders (and not the Requesting Stockholders) in proportion to the number of shares sought to be registered by all such Selling Stockholders.

(iv) In the event that FFB proposes to register shares of Common Stock for purposes of a combined offering, and any managing underwriter shall advise FFB, the Requesting Stockholder or Stockholders and the Selling Stockholders in writing that, in its opinion, the inclusion in the Form OC of some or all of the Registrable Securities sought to be registered by the Requesting Stockholders and the Selling Stockholders creates a risk that the price per share FFB will derive from such registration will be adversely affected, then FFB will include in such Form OC such number of shares or securities as FFB, the Requesting Stockholders and the Selling Stockholders are so advised can be sold in such offering without such an effect (the "Combined Maximum Number"), as follows and in the following order of priority: (A) first, such number of shares to be offered by FFB as FFB, acting in good faith, shall have

determined and (B) second, if and to the extent that the number of shares sought to be registered under clause (A) is less than the Combined Maximum Number, shares or securities sought to be registered by each other such party pro rata

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in proportion to the number of shares sought to be registered by all such parties.

3. Registration Procedures.  
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(a) In connection with FFB's obligations with respect to any registration of Registrable Securities pursuant to Section 2 hereof (and provided that, with respect to any registration of Registrable Securities pursuant to Section 2(b) of this Agreement, FFB's obligations under this Section 3 shall terminate if the registration of Common Stock by FFB, whether for its own account or for the account of any holders of its Common Stock, is terminated by FFB or all such holders of its Common Stock, respectively) FFB shall:

(i) prepare and file with the OTS a Form OC with respect to such registration and use its best efforts to cause such Form OC to become effective as soon as reasonably practicable thereafter;

(ii) prepare and file with the OTS such amendments and supplements to such Form OC and the offering circular included therein as may be necessary to effect and maintain the effectiveness of such Form OC and as may be required by the applicable rules and regulations of the OTS and the instructions applicable to such Form OC, and furnish to the underwriters, if any, of the Registrable Securities to be registered, the sales or placement agent, if any, therefor, and a representative of each Selling Stockholder who shall request such documents, copies of such Form OC and any such supplement or amendment prior to its being used and/or filed with the OTS;

(iii) provide (A) any Selling Stockholder registering more than 10% of the Registrable Securities to be registered, (B) the underwriters (which term, for purposes of this Agreement, shall include a person deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act), if any, of the Registrable Securities to be registered, (C) the sales or placement agent, if any, therefor, (D) one designated counsel for such underwriters or agent, and (E) one designated counsel for the Selling Stockholders the opportunity to participate in the preparation of, and provide comments with respect to, such Form OC,

each offering circular included therein or filed with the OTS, and each amendment or supplement thereto;

(iv) promptly notify the Selling Stockholders, the sales or placement agent, if any, therefor and the managing underwriter or underwriters, if any, thereof and confirm such advice in writing, (A) when such Form OC or the offering circular included therein or any offering circular amendment or supplement or post-effective amendment has been filed, and, with respect to such Form OC or any post-effective amendment, when the same has become effective, (B) of any comments by the OTS with respect thereto or any request by the OTS for amendments or supplements to such Form OC or offering circular or for additional information, (C) of the issuance by the OTS of any stop order suspending the effectiveness of such Form OC or the initiation or threatening of any proceedings for that purpose, (D) of the receipt by FFB of any notification with respect to the suspension of the qualification of any securities to be sold under such Form OC in any jurisdiction or the initiation or threatening of any proceeding for such purpose, or (E) at any time when a offering circular is required to be delivered under the Securities Regulations, if such Form OC, offering circular, offering circular amendment or supplement or post-effective amendment, or any document incorporated by reference in any of the foregoing, contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(v) use its best efforts to obtain the withdrawal of any order suspending the effectiveness of such Form OC or any post-effective amendment thereto or any notification described in Section 3(a)(iv)(D) above at the earliest practicable date;

(vi) furnish (A) to each Selling Stockholder who so requests, each placement or sales agent, if any, therefor, each underwriter, if any, thereof and the respective counsel referred to in Section 3(a)(iii) hereof an executed copy of such Form OC, each such amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), and (B) to any Selling Stockholder, each placement or sales agent, if any, and each underwriter, if any, such number of copies of such Form OC (excluding exhibits thereto and



documents incorporated by reference therein unless specifically so requested by any Selling Stockholder, agent or underwriter, as the case may be) and of the offering circular included in such Form OC (including each preliminary offering circular), as any such Selling Stockholder, agent, if any, and underwriter, if any, may reasonably request in order to facilitate the offering and disposition of the Registrable Securities owned by any such Selling Stockholder, offered or sold by such agent or underwritten by such underwriter and to permit each Selling Stockholder, agent and underwriter to satisfy the offering circular delivery requirements of the Securities Regulations; and FFB hereby consents to the use of such offering circular (including such preliminary offering circular) and any amendment or supplement thereto by each Selling Stockholder and by any such agent and underwriter, in each case in the form most recently provided to such party by FFB, in connection with the offering and sale of the Registrable Securities covered by the offering circular (including such preliminary offering circular) or any supplement or amendment thereto;

(vii) use its best efforts to (A) register or qualify the Registrable Securities to be included in such Form OC under such securities laws or Blue Sky laws of such jurisdictions as any Selling Stockholder and any placement or sales agent, if any, therefor and underwriter, if any, thereof shall reasonably request, (B) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers, sales and dealings therein in such jurisdictions for so long as may be necessary to enable the Selling Stockholders, agents or underwriters to complete the distribution of Registrable Securities pursuant to such Form OC and (C) take any and all other actions as may be reasonably necessary to enable the Selling Stockholders, agents, if any, and underwriters, if any, to consummate the disposition in such jurisdictions of such Registrable Securities; provided, however, that FFB

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shall not be required for any such purpose to execute or file any general consent to service of process under the laws of any jurisdiction; to take any action that would subject it to service of process in suits other than those arising out of the offer and sale of the securities covered by the Form OC; or to subject itself to taxation in any jurisdiction where it has not theretofore done so;

(viii) use its best efforts to obtain the consent or approval of each governmental agency or authority,

whether federal, state or local, which is required to effect such registration or the offering or sale of the Registrable Securities in connection therewith;

(ix) cooperate with the Selling Stockholders, the managing underwriters, if any, and the placement or sales agents, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall be printed, lithographed or engraved, or produced by any combination of such methods, on steel engraved borders, if required or appropriate, and which shall not bear any restrictive legends; and, in the case of an underwritten offering, enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, may request at least two business days prior to any sale of the Registrable Securities;

(x) provide a CUSIP number for all Registrable Securities, not later than the effective date of such Form OC;

(xi) in connection with an underwritten offering or an offering placed by a placement or sales agent, enter into one or more underwriting, placement or distribution agreements, as appropriate, in customary form reasonably satisfactory to FFB in order to facilitate the disposition of the Registrable Securities registered;

(xii) whether or not an agreement of the type referred to in Section (3)(a)(xi) hereof is entered into and whether or not any portion of the offering contemplated by such Form OC is an underwritten offering or is made through a placement or sales agent or any other entity, (A) make such representations and warranties to the Selling Stockholders and the placement or sales agent, if any, therefor and the underwriters, if any, thereof in form, substance and scope as are customarily made in connection with an offering of common stock or other equity securities pursuant to any underwriting, placement, distribution or other similar agreement and/or to a Form OC; (B) use its best efforts to obtain an opinion of counsel to FFB in customary form and covering such matters, of the type customarily covered by such an opinion, as the managing underwriters, if any, and as the Selling Stockholders may reasonably request, addressed to the Selling Stockholders and the placement or sales agent, if any, therefor and the underwriters, if any, thereof,

and dated the effective date of such Form OC (or if such Form OC contemplates an underwritten offering of a part or all of the Registrable Securities, dated the date of the closing under the underwriting agreement relating thereto); (C) obtain a "comfort" letter or letters from the independent certified public accountants of FFB addressed to the Selling Stockholders and the placement or sales agent, if any, therefor and the underwriters, if any, thereof, dated (I) the effective date of such Form OC, (II) the effective date of any offering circular supplement, if any, to the offering circular included in such Form OC or post-effective amendment to such Form OC which includes unaudited or audited financial statements as of a date or for a period subsequent to that of the latest such statements included in such offering circular and (III) (if such Form OC contemplates an underwritten offering or an offering placed by a placement agent or sales agent) the date of the closing under the underwriting agreement relating thereto, such letter or letters to be in customary form and covering such matters of the type customarily covered by letters of such type; (D) deliver such documents and certificates, including officers' certificates, as may be reasonably requested by the Selling Stockholders and the placement or sales agent, if any, therefor and the managing underwriters, if any, thereof to evidence the accuracy of the representations and warranties made pursuant to clause (A) above or those contained in Section 5(a) hereof and the compliance with or satisfaction of any agreements or conditions contained in the underwriting agreement or other agreement entered into by FFB; and (E) undertake such obligations relating to expense reimbursement, indemnification and contribution as are provided in Section 6 hereof;

(xiii) in the event that (i) any broker-dealer registered under the Exchange Act shall underwrite any Registrable Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Rules of Fair Practice and the By-Laws of the National Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of Registrable Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, or (ii) more than 10% of the net offering proceeds, not including underwriting compensation, of such distribution is intended to be paid to any such broker-dealer or "associated or affiliated persons" of such broker-dealer or "members of the immediate family of

such persons" (each within the meaning of such Rules), FFB shall take reasonable steps to assist such broker-dealer in complying with the requirements of such Rules and By-Laws, including, without limitation, by (A) if such Rules or By-Laws, including Schedule E thereto, shall so require, engaging a "qualified independent underwriter" (as defined in such Schedule) to participate in the preparation of the Form OC relating to such Registrable Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Form OC is an underwritten offering or is made through a placement or sales agent, to recommend the price of such Registrable Securities, (B) providing customary indemnification and contribution rights in form and substance reasonably acceptable to FFB to any such qualified independent underwriter, and (C) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules of Fair Practice of the NASD;

(xiv) comply with all applicable rules and regulations of the OTS, and make generally available to its securityholders, as soon as practicable but in any event not later than eighteen months after the effective date of such Form OC, an earnings statement of FFB and its subsidiaries complying with Section 11(a) of the Securities Act;

(xv) use its reasonable best efforts to list prior to the effective date of such Form OC, subject to notice of issuance, the Registrable Securities covered by such Form OC on any securities exchange on which the Common Stock is then listed or, if the Common Stock is not then so listed, to have the Registrable Securities accepted for quotation of trading on the NASDAQ National Market System (or a comparable interdealer quotation system then in effect); and

(xvi) if required under the Exchange Act and the rules and regulations thereunder, prepare and file with the OTS a registration statement under the Exchange Act on any available form with respect to the relevant class of capital stock and use its best efforts to cause such registration statement to be declared effective within the time periods required under the Exchange Act and the rules and regulations thereunder.

(b) In the event that FFB would be required, pursuant to Section 3(a)(iv)(E) above, to notify the Selling

Stockholders, the placement or sales agent, if any, therefor and the managing underwriters, if any, thereof, FFB shall promptly prepare and furnish to the Selling Stockholders, to each placement or sales agent, if any, and to each underwriter, if any, a reasonable number of copies of an offering circular supplemented or amended so that, as thereafter delivered to purchasers of Registrable Securities, such offering circular shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. The Selling Stockholders agree that upon receipt of any notice from FFB pursuant to Section 3(a)(iv)(E) hereof, they shall forthwith discontinue the disposition of Registrable Securities pursuant to the Form OC applicable to such Registrable Securities until they shall have received copies of such amended or supplemented offering circular and, if so directed by FFB, the Selling Stockholders shall deliver to FFB all copies, other than permanent file copies, then in their possession of the offering circular covering such Registrable Securities at the time of receipt of such notice.

(c) FFB may require the Selling Stockholders to furnish to FFB such information regarding the Selling Stockholders and their intended method of distribution of such Registrable Securities as FFB may from time to time reasonably request in writing, but only to the extent that such information is required in order to comply with the Securities Regulations. Each Selling Stockholder agrees to notify FFB as promptly as practicable of any inaccuracy or change in information previously furnished by such Selling Stockholder to FFB or of the occurrence of any event in either case as a result of which any offering circular relating to such registration contains or would contain an untrue statement of a material fact regarding such Selling Stockholder or such Selling Stockholder's intended method of distribution of such Registrable Securities or omits or would omit to state any material fact regarding such Selling Stockholder or its intended method of distribution of such Registrable Securities required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly to furnish to FFB any additional information required to correct or update any previously furnished information or required so that such offering circular shall not contain, with respect to such Selling Stockholder or the distribution of such Registrable Securities, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements

therein not misleading in light of the circumstances then existing.

(d) From the time that FFB receives any notice pursuant to Section 2(a)(i) hereof until the earlier of (i) the date 120 days after the effectiveness of the Form OC relating thereto or such shorter period as may be required by the managing underwriter or underwriters of such offering and (ii) the date an election is made not to file a Form OC with the OTS pursuant to Section 2(a) hereof, FFB will not offer, issue, sell, agree or commit to issue or sell, grant any option for the purchase of, file with the OTS a Form OC relating to any primary, secondary or combined offering of, or solicit any offer to buy any, Common Stock, other than (A) in connection with the Registrable Securities to be registered pursuant to such notice or direction and (B) pursuant to a bona fide employee stock option, bonus or other benefit plan as then in existence or upon conversion or exchange of then outstanding securities of FFB.

4. Registration Expenses.  
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FFB agrees to bear and to pay or cause to be paid promptly upon request being made therefor all customary expenses incident to FFB's performance of or compliance with this Agreement, including, without limitation, (a) all OTS and any NASD registration and filing fees and expenses, (b) all fees and expenses in connection with the qualification of any shares for offering and sale under the State securities and Blue Sky laws, including reasonable fees and disbursements of counsel for the placement or sales agent or underwriters in connection with such qualifications, (c) all expenses relating to the preparation, printing, distribution and reproduction of each Form OC required to be filed hereunder, each offering circular included therein or prepared for distribution pursuant hereto, each amendment or supplement to the foregoing, the certificates representing the Registrable Securities, (d) messenger and delivery expenses, (e) fees and expenses of any escrow agent or custodian, (f) internal expenses of FFB (including, without limitation, all salaries and expenses of FFB's officers and employees performing legal or accounting duties), (g) fees, disbursements and expenses of counsel and independent certified public accountants of FFB (including the expenses of any opinions or "comfort" letters required by or incident to such performance and compliance), (h) fees, disbursements and expenses (including fees and expenses of counsel) of any "qualified independent underwriter" engaged pursuant to Section 3(a)(xiii) hereof but excluding underwriting commissions and discounts, (i) reasonable fees, disbursements and expenses of one

counsel for all of the Selling Stockholders retained in connection with any particular registration, and fees, expenses and disbursements of any other persons, including special experts, retained by FFB in connection with such registration, and (j) all fees and expenses (including, without limitation, listing fees) in connection with the listing or quotation of trading of the Registrable Securities as required by Section 3(a)(xv) hereof (collectively, the "Registration Expenses"). To the extent that any Registration Expenses are incurred, assumed or paid by any Selling Stockholder or any placement or sales agent therefor or underwriter thereof, FFB shall reimburse such person for the full amount of the Registration Expenses so incurred, assumed or paid promptly after receipt of an itemized request therefor.

5. Representations and Warranties.  
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FFB represents and warrants to, and agrees with, each Selling Stockholder from time to time of Registrable Securities that:

(a) Each Form OC covering Registrable Securities and each offering circular (including any preliminary offering circular) contained therein or furnished pursuant to Section 3(a)(vi) hereof (in each case including any documents incorporated by reference therein) and any further amendments or supplements to any such Form OC or offering circular (in each case including any documents incorporated by reference therein), when it becomes effective or is filed with the OTS, as the case may be, and, in the case of an underwritten offering of Registrable Securities or an offering placed by a placement agent or sales agent, at the time of the closing under the underwriting, placement or distribution agreement, as the case may be, relating thereto will conform in all material respects to the requirements of the Securities Regulations and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at all times subsequent to the effective date of such Form OC when an offering circular would be required to be delivered under the Securities Regulations, other than from (i) such time as a notice has been given to Selling Stockholders pursuant to Section 3(a)(iv)(E) hereof until (ii) such time as FFB furnishes an amended or supplemented offering circular pursuant to Section 3(b) hereof, each such Form OC, and each offering circular contained therein or furnished pursuant to Section 3(a)(vi) hereof, as then amended or supplemented (in each case including any documents incorporated by reference therein), will conform in all material respects to the

requirements of the Securities Regulations and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; provided, however, that this

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representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to FFB by an underwriter or a Selling Stockholder.

(b) Any documents incorporated by reference in any offering circular referred to in Section 5(a) hereof, when they become or became effective or are or were filed with the OTS, as the case may be, as then amended or supplemented, will conform or conformed in all material respects to the requirements of the Securities Regulations, the Securities Act or the Exchange Act, as applicable, and none of such documents will contain or contained an untrue statement of a material fact or will omit or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any

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statements or omissions made in reliance upon and in conformity with information furnished in writing to FFB by an underwriter or Selling Stockholder expressly for use therein.

6. Indemnification.  
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(a) Indemnification by FFB. Upon the registration of any Registrable

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Securities pursuant to Section 2 hereof, FFB shall, and it hereby agrees to, indemnify and hold harmless each Selling Stockholder, against any losses, claims, damages or liabilities, joint or several, to which any such Selling Stockholder may become subject, under the Securities Regulations, the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Form OC under which such Registrable Securities were registered under the Securities Regulations, or any preliminary or final offering circular contained therein or furnished by FFB to any such Selling Stockholder, or any amendment or supplement thereto (in each case including any documents incorporated by reference therein), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and FFB shall, and it hereby agrees to, reimburse any such Selling Stockholder for any legal or other expenses reasonably incurred by them in



connection with investigating or defending any such action or claim; provided,

however, that FFB shall not be liable to any such Selling Stockholder in any

such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Form OC, or preliminary or final offering circular, or amendment or supplement (in each case including any documents incorporated by reference therein), in reliance upon and in conformity with written information furnished to FFB by such Selling Stockholder expressly for use therein. FFB shall provide to each person who participates pursuant to Section 7(a) as an underwriter or placement agent in any offering or sale of Registrable Securities registered under the Securities Regulations pursuant to this Agreement customary rights of indemnity in form and substance reasonably satisfactory to FFB.

(b) Indemnification by the Selling Stockholders and any Agents and

Underwriters. FFB may require, as a condition to including any Registrable

Securities in any Form OC filed pursuant to Section 2 hereof and to entering into any underwriting agreement with respect thereto, that FFB shall have received an undertaking from the Selling Stockholder thereof, severally and not jointly, to (i) indemnify and hold harmless FFB, and all other Selling Stockholders, if any, of Registrable Securities selling under the same Form OC, against any losses, claims, damages or liabilities to which FFB or such other Selling Stockholders of Registrable Securities may become subject, under the Securities Regulations, Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Form OC, or any preliminary or final offering circular contained therein or furnished by FFB to the Selling Stockholders, or any amendment or supplement thereto (in each case including any documents incorporated by reference therein), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to FFB by the Selling Stockholder expressly for use therein, and (ii) reimburse FFB for any legal or other expenses reasonably incurred by FFB in connection with investigating or defending any such action or claim. FFB shall be entitled to require that any underwriter or placement agent

in any offering or sale of Registrable Securities registered under the Securities Regulations pursuant to this Agreement provide to FFB customary rights of indemnity in form and substance reasonably satisfactory to FFB.

(c) Notices of Claims, Etc. Promptly after receipt by FFB or a

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Selling Stockholder as indemnified party under subsection (a) or (b) above of written notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against FFB or a Selling Stockholder as indemnifying party pursuant to the indemnification provisions of or contemplated by this Section 6, notify such indemnifying party in writing of the commencement of such action; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party other than under the indemnification provisions of or contemplated by Section 6(a) or 6(b) hereof. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof (except where the assumption of the defense would be inappropriate due to conflicts of interest), with counsel satisfactory to such indemnified party (who may be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. So long as an indemnifying party is complying with its obligations under this Section 6, such indemnifying party shall not be liable for settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld. Without the written consent of the indemnified party (which consent shall not be unreasonably withheld), the indemnifying party shall not effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault or culpability by or on behalf of any indemnified party.

(d) Contribution. Each party hereto agrees that, if for any reason

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the indemnification obligations of FFB or the Selling Stockholders, as the case may be, as indemnifying parties, contained in Section 6(a) or Section 6(b) hereof are unavailable to or insufficient to hold harmless FFB or any Selling Stockholder as indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each such indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation (even if the underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Stockholders' obligations in this Section 6(d) to contribute shall be several in proportion to the number or amount of Registrable Securities registered by them and not joint. FFB shall provide to, and shall be entitled to receive from, each person who participates pursuant to Section 7(a) as an underwriter or placement agent in any offering or sale of Registrable Securities registered under the Securities Regulations pursuant to this Agreement customary rights of

contribution in form and substance reasonably satisfactory to FFB.

(e) The obligations of FFB under or pursuant to this Section 6 shall be in addition to any liability which FFB may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and partner of any Selling Stockholder and each person, if any, who controls any Selling Stockholder within the meaning of the Securities Act; and the obligations of the Selling Stockholders contemplated by this Section 6 shall be in addition to any liability which the Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of FFB (including any person who, with his consent, is named in any Form OC as about to become a director of FFB) and to each person, if any, who controls FFB within the meaning of the Securities Act.

7. Underwritten Offerings.  
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(a) Selection of Underwriters. If any of the Registrable Securities covered by any Form OC filed pursuant to Section 2(a) hereof are to be sold pursuant to an underwritten offering, the managing underwriter or underwriters thereof shall be such underwriter designated by the Selling Stockholders and reasonably acceptable to FFB.

(b) Participation by Selling Stockholders. Each Selling Stockholder hereby agrees that it may not participate in any underwritten offering hereunder unless it (i) agrees to sell its Registrable Securities on the basis provided in any underwriting arrangements applicable to such transaction and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

8. Resale Restrictions.  
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FFB covenants to and with each Holder of Registrable Securities that to the extent it shall be required to do so, FFB shall timely file the reports required to be filed by it under the Exchange Act, the Securities Act or the Securities Regulations (including, but not limited to, the reports under Section 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 under the Securities Act) and the rules and regulations adopted by the OTS thereunder, all to the extent required from time to time to enable the Holders to sell Registrable Securities without registration with the OTS within the limitations of the Resale Exemptions.

9. Certain Distributions by Citadel.

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In connection with any distribution, or proposed distribution, by Citadel to its stockholders generally of any Registrable Securities, in the event that Citadel determines that it would be appropriate to provide to its stockholders an information statement (the "Information Statement") complying with the disclosure requirements of Regulation 14C promulgated under the Exchange Act, FFB shall, with respect to no more than one such distribution, provide to Citadel for use therein such information (the "FFB Information") relating to FFB as Citadel may reasonably request (including, if necessary or appropriate in order to permit such distribution to proceed without the necessity for registration of such Registrable Securities under the Securities Regulations, such information with respect to FFB as would be contained in a registration statement on Form OC containing the information prescribed by Form S-1 under the Securities Act). FFB shall promptly notify Citadel if, at any time prior to consummation of such distribution, the FFB Information theretofore provided to Citadel contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, and, from time to time prior to consummation of such distribution, FFB shall provide Citadel with any additional information relating to FFB necessary to correct or update the FFB Information promptly after such information is available to FFB. In connection with such distribution, if the Class A Common Stock is not then registered under the Exchange Act, FFB shall file a registration statement with respect thereto on any applicable form with the OTS and use its best efforts to cause such registration statement to be declared effective prior to the consummation of such distribution. FFB shall have the same obligation to indemnify and provide contribution to Citadel with respect to the FFB Information contained in any such Information Statement as if such Information Statement were an offering circular to which the provisions of Section 6 were applicable; provided,

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however, that FFB shall have no such obligation hereunder unless such document

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has been provided to, and approved by, FFB (which approval shall not be unreasonably withheld or delayed). Citadel shall have the same obligation to indemnify and provide contribution to FFB with respect to (1) any information that is not FFB Information contained in any such Information Statement and (2) any information contained in any such Information Statement that has not been approved by FFB, in each case as though such information were information specifically provided by Citadel for use in an

offering circular subject to the provisions of Section 6 hereof.

Notwithstanding the foregoing, the obligations of FFB under this Section 9 are subject to the condition that FFB shall be entitled to postpone for up to six months once in any twelve month period the furnishing of FFB Information otherwise required to be furnished by it pursuant to this Section 9 if, at the time it receives a request therefor, the Board of Directors of FFB determines, in good faith, that the furnishing of such FFB Information and the distribution of an Information Statement containing such FFB Information would materially interfere with any material financing, acquisition, corporate reorganization or other material transaction by FFB, and FFB promptly gives Citadel written notice of such determination.

10. Miscellaneous.  
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(a) Citadel Lock-up. If, at any time, FFB registers any of its  
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Common Stock or any other equity securities under the Securities Regulations on a statement on Form OC (or an equivalent general registration form then in effect) for purposes of a primary offering, secondary offering or a combined offering, from the time that FFB files such Form OC with the OTS until the earlier of (i) the date 90 days after the effectiveness of the Form OC relating thereto or such shorter period as may be required by the managing underwriter or underwriters of such offering and (ii) the date an election is made not to file a Form OC with the OTS, Citadel will not, and will not permit its Affiliates to, offer, sell, agree or commit to issue or sell, grant any option for the purchase of or solicit any offer to buy any Common Stock or security convertible into or exchangeable for, or representing the right to acquire, Common Stock, other than in connection with any Registrable Securities to be registered pursuant to any such Form OC.

(b) No Inconsistent Agreements. FFB covenants and agrees that it  
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shall not grant registration rights with respect to any class of Common Stock or any other securities which would adversely affect the rights of the Holders as set forth in this Agreement. FFB represents and warrants that it is not currently a party to any agreement with respect to any of its equity or debt securities granting any registration rights to any person.

(c) Illegality. If any term or provision of this Agreement or any  
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application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such

provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

(d) Recovery of Litigation Costs. Except as otherwise expressly

provided herein to the contrary, in the event any dispute between the parties to this Agreement shall result in any litigation, arbitration or other proceeding, the prevailing party shall be entitled to recover from the losing party all reasonable costs and expenses, including without limitation reasonable attorneys' fees and disbursements, incurred by the prevailing party in connection with such litigation, arbitration or other proceeding and any appeal thereof. Such costs, expenses, fees and disbursements shall be included in and made a part of the judgment recovered by the prevailing party, if any.

(e) Notices. All notices, requests, claims, demands, waivers and

other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, when delivered personally or by courier, three days after being deposited in the mail (registered mail, postage prepaid, return receipt requested), or when received by facsimile transmission if promptly confirmed by one of the foregoing means, as follows: If to FFB, to it at 600 North Brand Boulevard, Glendale, California 91203, Attention: General Counsel, facsimile transmission no. (818) 549-3773, and if to a Holder, to the address or facsimile transmission number of such Holder set forth in the security register or other records of FFB, or to such other address or facsimile transmission number as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(f) Parties in Interest. All the terms and provisions of this

Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors and assigns, but, except as set forth in this Section 9(f) and except as otherwise expressly stated to the contrary in Section 2(a)(i), no such term or provision is for the benefit of, or intended to create any obligations to, any other persons. In the event that any transferee of Citadel or any other Holder shall acquire Registrable Securities in any manner, whether by gift, bequest, purchase, operation of law or otherwise, such transferee or Holder shall, without any further writing or action of any kind, be deemed a party

hereto for all purposes and such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such transferee or Holder shall be entitled to receive the benefits of and be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement. If FFB shall so request, any such successor, assign, transferee or Holder shall agree in writing to acquire and hold the Registrable Securities subject to all of the terms hereof.

(g) Survival. The respective indemnities, agreements,

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representations, warranties and each other provision set forth in this Agreement or made pursuant hereto shall remain in full force and effect regardless of any investigation (or statement as to the results thereof) made by or on behalf of any Holder, any director, officer, partner or employee of any Holder, any agent or underwriter or any director, officer, partner or employee thereof, or any controlling person of any of the foregoing, and shall survive the transfer and registration of Registrable Securities by any Holder.

(h) LAW GOVERNING. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED

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IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CHOICE OF LAW THEREOF.

(i) Headings. The descriptive headings of the several Sections and

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paragraphs of this Agreement are inserted for convenience only, do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

(j) Entire Agreement; Amendments. This Agreement and the other

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writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter. This Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument duly executed by FFB and the holders of at least 51 percent of each class of Registrable Securities affected by such amendment or waiver at the time outstanding. Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any amendment or waiver effected pursuant to this Section 9(j), whether or not any notice, writing or marking indicating such amendment or



waiver appears on such Registrable Securities or is delivered to such Holder.

(k) Inspection. For so long as this Agreement shall be in effect,  
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this Agreement shall be made available for inspection and copying on any  
business day by any Holder of Registrable Securities at the offices of FFB at  
the address thereof set forth in Section 9(e) above.

(l) Counterparts. This Agreement may be executed in two or more  
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counterparts, each of which shall be deemed an original, but all of which  
together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to  
be duly executed as of the date first written above.

FIDELITY FEDERAL BANK, A Federal  
Savings Bank

By: /s/ Godfrey B. Evans  
-----  
Godfrey B. Evans  
Executive Vice President and Secretary

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood  
-----  
Richard M. Greenwood  
President and Chief Executive Officer

-----  
(NAME OF CLASS C HOLDER)

By: -----

STOCKHOLDERS' AGREEMENT

DATED AS OF JUNE 30, 1994

Between

CITADEL HOLDING CORPORATION

and

FIDELITY FEDERAL BANK,  
A Federal Savings Bank

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STOCKHOLDERS' AGREEMENT  
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STOCKHOLDERS' AGREEMENT ("Agreement"), dated as of June 30, 1994, between Citadel Holding Corporation, a Delaware corporation ("CHC"), and Fidelity Federal Bank, A Federal Savings Bank ("FFB").

ARTICLE I

Certain Definitions  
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As used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Affiliate" shall mean, with respect to any Person, any other Person  
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that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person.

"Beneficial Owner", when used in connection with any security, means  
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one or more Persons, who would be deemed to be the beneficial owners of such security within the meaning of Rule 13d-3 or 13d-5 under the Exchange Act or who have the right to become such beneficial owners (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise, conversion or exchange of any warrant, right or other instrument, or otherwise. The terms

"Beneficially Owned" and "Beneficial Ownership" shall refer to the beneficial  
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ownership of securities by such Beneficial Owner.

"Board Resolution" shall mean a copy of a resolution certified by the  
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Secretary or an Assistant Secretary of FFB to have been duly adopted by the Board of Directors of FFB and to be in full force and effect on the date of such certification.

"Book Value", with respect to any share of Class A Common Stock, shall  
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mean (i) the difference between (A) the stockholders' equity of FFB as of FFB's most recent quarterly balance sheet determined in accordance with generally accepted accounting principles minus (B) the aggregate par value or stated value, as the case may be, and accrued but unpaid dividends, if any, with respect thereto, of outstanding shares of FFB's preferred stock to the extent not reflected as liabilities on such balance sheet divided by (ii) the total  
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number of shares of Common Stock then outstanding determined on a fully-diluted basis.

"Bulk Sale Losses" shall have the meaning assigned to such term in  
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Section 6.2(c) of this Agreement.

"Call Notice" shall have the meaning assigned to such term in Section  
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4.1 of this Agreement.

"Call Price" shall mean with respect to any Shares (i) if, on the date  
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the Call Notice is delivered, there is a Public Trading Market for the Class A  
Common Stock, 1.1 times the Current Market Price per share of Class A Common  
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Stock determined as of such date and (ii) if, on the date the Call Notice is  
delivered, there is no Public Trading Market for the Class A Common Stock, the  
Book Value per share of the Class A Common Stock determined as of the end of  
FFB's then most recent fiscal quarter.

"Call Shares" shall have the meaning assigned to such term in Section  
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4.1 of this Agreement.

"CHC Person" shall have the meaning assigned to such term in Section  
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4.1 of this Agreement.

"Class A Common Stock" shall mean the Class A Common Stock, par value  
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\$0.01 per share, of FFB.

"Class B Common Stock" shall mean the Class B Common Stock, par value  
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\$0.01 per share, of FFB.

"Class C Common Stock" shall mean the Class C Common Stock, par value  
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\$0.01 per share, of FFB.

"Closing Date" shall mean the time and date on which the  
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reclassification of the outstanding shares of common stock into shares of Class  
B Common Stock becomes effective.

"Commission" shall have the meaning set forth in Section 4.3.  
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"Common Stock" shall mean, collectively, the Class A Common Stock, the  
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Class B Common Stock and the Class C Common Stock.

"Cure" shall have the meaning assigned to such term in Section 6.2(c)  
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of this Agreement.

"Current Market Price", with respect to any share of Class A Common  
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Stock on any day, shall mean the average of the daily closing prices for the 5  
consecutive trading days selected by FFB commencing not more than 20 trading  
days before, and ending not later than, the day in question.

The "closing price" for each day shall be the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Class A Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Class A Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System.

"Distribution Notice" shall have the meaning assigned to such term in  
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Section 4.1 of this Agreement.

"Excess Shares" shall mean, with respect to the Shares Beneficially  
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Owned by all CHC Persons at any time, the excess, if any, of such number of Shares over the aggregate number of shares of Common Stock then Beneficially Owned by the single stockholder that is not a CHC Person with the greatest Beneficial Ownership of such shares at such time.

"Exchange Act" shall mean the Securities Exchange Act of 1934.  
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"FFB Indemnified Parties" shall have the meaning assigned to such  
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term in Section 6.1 of this Agreement.

"FFB Notice" shall have the meaning assigned to such term in Section  
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3.1(b) of this Agreement.

"Five Percent Transfer" shall mean (i) a sale of Shares representing  
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more than 5% of the then outstanding Common Stock, determined on a fully-diluted basis or (ii) a sale of Shares to any Person if, after giving effect to such sale, such Person (including any Group of which such Person is a member) and the Affiliates of such Person would Beneficially Own more than 5% of the then outstanding Common Stock, determined on a fully-diluted basis; provided,  
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however, that (i) no dividend, rights offering or similar distribution by CHC to  
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its stockholders shall be a Five Percent Transfer, and (ii) no sale involving a public distribution, whether pursuant to an effective Form OC, through the facilities of a securities exchange or as a result of the publication by a broker or dealer of bid or asked quotations in an interdealer quotation system shall be deemed to be a Five Percent Transfer.

"Form 10-K Filing Date" shall mean the date of the filing by FFB of  
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its annual report on Form 10-K for

FFB's next succeeding fiscal year following its fiscal year ended December 31, 1993.

"Group" shall mean any group of Persons formed for the purpose of  
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acquiring, holding, voting or disposing of securities which would be required under Section 13(d) of the Exchange Act and the rules and regulations thereunder (as now in effect and based on present legal interpretations thereof) to file a statement on Schedule 13D as a "person" within the meaning of Section 13(d)(3) of the Exchange Act if such group beneficially owned securities of a class representing more than 5% of all securities of such class then outstanding.

"Meeting" shall have the meaning set forth in Section 4.3.  
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"Offered Securities" shall have the meaning assigned to such term in  
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Section 3.1(a) of this Agreement.

"Offer Terms" shall have the meaning assigned to such term in Section  
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3.1(a) of this Agreement.

"Offering Circular" shall mean the Offering Circular, dated July 12,  
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1994, of FFB in the form contained in the Form OC (OTS Docket No. 5770), as amended at the time such Form OC is declared effective by the Office of Thrift Supervision.

"Person" shall mean a corporation, association, partnership,  
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organization, business, individual, government or political subdivision thereof or governmental agency.

"Placement Agency Agreement" shall mean the Placement Agency Agreement  
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dated July 12, 1994, among FFB, CHC and J.P. Morgan Securities Inc., as placement agent.

"Proxy Statement" shall have the meaning set forth in Section 4.3.  
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"Public Trading Market" shall mean, with respect to any security, that  
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such security is listed on any national securities exchange or admitted for quotation on the National Association of Securities Dealers, Inc. Automated Quotations System.

"Purchase Money Debt" shall have the meaning assigned to such term in  
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Section 3.1(a) of this Agreement.

"Repurchase" shall have the meaning assigned to such term in Section  
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6.2(c) of this Agreement.



"Repurchased Asset" shall have the meaning assigned to such term in  
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Section 6.2(d) of this Agreement.

"Resale Terms" shall have the meaning assigned to such term in  
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Section 6.2(d) of this Agreement.

"Seller" shall have the meaning assigned to such term in Section  
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3.1(a) of this Agreement.

"Seller's Notice" shall have the meaning assigned to such term in  
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Section 3.1(a) of this Agreement.

"Shares" shall mean shares of Class B Common Stock.  
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"Transfer" shall mean to transfer, sell, assign, pledge, hypothecate,  
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give, create a security interest in or lien on, place in trust (voting or  
otherwise), transfer by operation of law or in any other way encumber or dispose  
of, directly or indirectly, and whether or not voluntarily, any Shares.

"Transferee" shall have the meaning specified in Section 2.1.  
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"Unrestricted Transfer" shall mean (i) a transfer of Shares pursuant  
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to an effective Form OC in accordance with the provisions of the Registration  
Rights Agreement, dated as of June 30, 1994, between FFB and CHC or (ii) a  
Transfer in a transaction not involving a public distribution made otherwise  
than through the facilities of a securities exchange or as a result of the  
publication by a broker or dealer of bid and ask quotations in an inter-dealer  
quotation system.

"Violation" shall have the meaning assigned to such term in Section  
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3.3 of this Agreement.

## ARTICLE II

### Certain Restrictions on Transfers -----

2.1 No holder of Shares shall, directly or indirectly, Transfer  
Shares to any Person (regardless of the manner in which such holder initially  
acquired such Shares) (any Person in whose favor a Transfer of Shares is made,  
and all subsequent transferees of any such Person, regardless of the method of  
Transfer, being referred to collectively as "Transferees" and individually as a  
"Transferee"), if such Transfer is prohibited by any provision of Article II or  
III

hereof. FFB shall not reflect on its books any Transfer of Shares to any Person except in accordance with this Agreement, and any Transfer of Shares not permitted by the provisions of this Agreement shall be null and void ab initio.

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2.2 Without the prior approval of the Board of Directors of FFB, evidenced by a Board Resolution, no holder of Shares shall, directly or indirectly, Transfer Shares, except in an Unrestricted Transfer, if, after giving effect to such Transfer and all other Transfers (other than any Unrestricted Transfers) by such holder during the 30-day period immediately preceding the date of such Transfer, such holder would have Transferred Shares constituting in excess of 5% of the outstanding Common Stock, calculated on a fully-diluted basis as of the date of such Transfer.

2.3 No holder of Shares shall, directly or indirectly, Transfer Shares if, immediately after giving effect to such Transfer, such Shares shall not have converted into shares of Class A Common Stock of FFB unless:

(A) the Transferee shall have executed and delivered to FFB, as a condition precedent to such Transfer, an instrument or instruments in form and substance reasonably satisfactory to FFB confirming that such Transferee agrees to be bound by the terms of this Agreement;

(B) the certificates issued to the Transferee which represent the Shares so Transferred shall bear the legends provided in Article V; and

(C) in the case of any Transfer of Shares to an entity that was formed for the purpose of acquiring such Shares or that, immediately following such Transfer, will have no substantial assets other than such Shares, such entity shall agree (x) to have its shares of common stock or instruments reflecting equity interests therein legended to note the restrictions on Transfer contained in this Agreement as if they were Shares and (y) that no shares of stock or other equity interests in any such entity may thereafter be transferred to any Person other than in accordance with the terms of this Agreement as if such stock or other equity interests were Shares.

2.4 Pledges. None of the restrictions contained in this Agreement

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with respect to Transfers of Shares shall apply to the pledge of Shares, or the grant of a security interest, lien or other encumbrance thereon (each a

"pledge"), to a commercial bank, savings and loan institution or any other lending institution as security for any indebtedness to such lender; provided that prior to any such pledge, the pledgee shall deliver to FFB its written agreement, in form and substance reasonably satisfactory to FFB, that upon any foreclosure, such pledgee, or such other Person acquiring such Shares upon such foreclosure, shall assume and be bound by all the terms of this Agreement.

ARTICLE III

Right of First Refusal

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3.1 Rights of First Refusal. (a) If at any time any holder of

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Shares desires to make a Five Percent Transfer of any Shares to any other Person (including without limitation any other holder of Shares), such holder shall first give written notice to FFB stating such holder's desire to make such Five Percent Transfer, the number of Shares proposed to be Transferred, the price and other terms on which such holder proposes to Transfer such Shares and the aggregate number of Shares of which such holder is the Beneficial Owner. For purposes of this Agreement, any notice stating a holder's desire to Transfer Shares is referred to as a "Seller's Notice"; the Shares covered by any Seller's Notice are referred to as the "Offered Securities"; the holder giving the Seller's Notice is sometimes referred to as the "Seller"; and the price and other terms on which the holder proposes for such Transfer are referred to as the "Offer Terms." Each Seller's Notice shall constitute an irrevocable offer by the Seller to sell to FFB the Offered Securities on the Offer Terms; provided, however, that if such Offer Terms include the deferral of any part of

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the purchase price or the receipt by the Seller of any form of indebtedness in consideration for the applicable Transfer ("Purchase Money Debt"), then such offer may be stated in the Seller's Notice to be, and if so stated shall be, conditioned on any Person accepting such offer demonstrating his or its creditworthiness to the reasonable satisfaction of the Seller. Notwithstanding anything to the contrary contained in this Article III, no Offer Terms in respect of Offered Securities may include any form of consideration other than cash (which may be paid at closing, in installments or after any period of time) or Purchase Money Debt of the Transferee of such Offered Securities.

(b) FFB or its assignee shall have the right to purchase all, but not less than all, of the Offered Securities on the Offer Terms (but subject to the proviso contained in Section 3.1(a)). FFB or such assignee may

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exercise such right by giving notice to the Seller, within thirty (30) days after the date of receipt by FFB of the Seller's Notice, of FFB's election or such assignee's election to purchase such Offered Securities (the "FFB Notice"). The FFB Notice shall constitute an irrevocable commitment to purchase such Offered Securities from the Seller on the Offer Terms.

(c) If FFB fails to elect to purchase all the Offered Securities within the time periods specified in this Section 3.1, then the Seller (i) shall be under no obligation to sell any of the Offered Securities to FFB, unless the Seller so elects, and (ii) may, within a period of ninety (90) days from and after the date of the Seller's Notice, Transfer all but not less than all of the Offered Securities to one or more Persons on terms no less favorable to the Seller, and including no less cash, than the Offer Terms.

(d) Notwithstanding anything to the contrary contained in this Section 3.1, if, as contemplated by the proviso contained in Section 3.1(a), a

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Seller's Offer Terms include any Purchase Money Debt, and such Seller is not reasonably satisfied with the creditworthiness of a Person who has committed to purchase Offered Securities on such Offer Terms, then such Person may, at his or its option, elect to make a cash payment at the closing provided for in Section 3.1(e) in lieu of such Purchase Money Debt, the amount of which shall be the fair market value thereof as determined by a nationally recognized investment banking firm selected by FFB. If such option is not exercised as to any Offered Securities, then, subject to Section 3.1(c) hereof, the Seller may Transfer such Offered Securities on the Offer Terms (or other terms satisfying Section 3.1(c)), but only if (i) the Person obligated (whether primarily, as surety, as an issuer of a letter of credit or in a similar capacity) to pay such Purchase Money Debt has outstanding debt securities rated in one of the top four categories by a nationally recognized statistical rating agency and such obligation is with recourse to such Person or (ii) such Person secures such obligation with collateral having an ascertainable fair market value at least equal to the amount of such obligation (including interest to accrue thereon).

(e) The closing of the purchase and sale of any Offered Securities under this Section 3.1 shall take place on such date, not earlier than 20 nor later than 60 days following the date of receipt of the FFB Notice by the Seller, as FFB and the Seller shall mutually agree. The closing shall be held at 10:00 a.m., local time, at the principal office of FFB. At such closing, (i) the Seller

shall deliver to each Person purchasing Offered Securities certificates representing the Shares being sold, free and clear of any lien, claim or encumbrance (and each Seller shall represent and warrant that such Shares shall, immediately prior to such sale, be so free and clear), (ii) each such Person shall, subject to Section 3.1(d), deliver to the Seller the consideration to be paid for such Shares in accordance with the Offer Terms, and (iii) the Seller and each such Person shall execute such other documents and take such other action as shall be reasonably necessary to consummate the purchase and sale of the applicable Offered Securities on the terms contemplated by the Offer Terms (subject to Section 3.1(d)).

3.2 Subsequent Transfers. If FFB or its assignee does not elect to

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purchase all the Offered Securities on the Offer Terms and the Seller shall not have consummated the Transfer of all of the Offered Securities to any Transferee or Transferees prior to the expiration of the ninety (90) day period specified in Section 3.1(c), then the provisions of this Article III shall again apply, and such Seller shall not Transfer or offer to Transfer any of such Offered Securities not so Transferred during such period without again complying with this Article III.

3.3 Certain Violations. FFB shall not be obligated to purchase the

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Offered Securities at any time pursuant to this Article III regardless of whether it has delivered an FFB Notice if the purchase of any or all of the Offered Securities would conflict with or result in a violation of any law, statute, rule, regulation, policy, guideline, order, writ, injunction, decree or judgment promulgated or entered by any federal, state, local or foreign court of governmental authority applicable to FFB or any of its subsidiaries (a "Violation"). As soon as practicable after FFB's determination that the purchase of any or all of the Offered Securities would result in a Violation, FFB shall give written notice of such fact to Seller.

#### ARTICLE IV

##### FFB Call Option

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4.1 During the period commencing on the day 180 days after the Closing Date and ending on the day eighteen months after the Closing Date, FFB shall have an irrevocable option to redeem, and CHC and its Affiliates (each a "CHC Person") shall be required to transfer to FFB upon exercise of such option, all, but not less than all, of

the Excess Shares held by any CHC Person or all CHC Persons; provided, however,  
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that no such transfer to FFB by any CHC Person shall be required in the event  
such option is exercised by FFB in anticipation of any merger or consolidation  
of FFB with any other Person, any sale of all or substantially all of FFB's  
assets, any distribution of cash or property by FFB to its stockholders (other  
than any ordinary cash dividend), or any other transaction involving the receipt  
by holders of any class of Common Stock of any cash or other property. If FFB  
desires to exercise its option to redeem any Shares from any CHC Person pursuant  
to this Section 4.1, FFB shall give written notice (the "Call Notice") of its  
intention to redeem such Shares (the "Call Shares") to such CHC Person. The  
redemption price per share of such Shares shall be the Call Price, payable in  
cash. The obligation of each such CHC Person to transfer such Excess Shares to  
FFB shall be pro rata in proportion to the number of Shares held by each such

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CHC Person compared to the number of Shares held by all such CHC Persons.  
Notwithstanding the foregoing, any CHC Person may, no later than the tenth day  
after receipt of the Call Notice, deliver to FFB written notice (the  
"Distribution Notice") of its intention to distribute to its stockholders in a  
dividend, rights offering or similar distribution any or all of the Excess  
Shares. Such CHC Person shall complete such dividend, rights offering or  
distribution no later than 120 days after the date the Distribution Notice is  
delivered to FFB. No later than the date of such dividend, rights offering or  
distribution, each CHC Person making such a distribution shall give to FFB  
written notice (the "Distribution Completion Notice") of such distribution and  
of the remaining number of Excess Shares held by such CHC Person immediately  
after giving effect to such dividend, rights offering or distribution. Upon  
receipt of such notice, FFB, may, at its option, elect to redeem any or all of  
such remaining Excess Shares held by such CHC Person on the date determined  
pursuant to Section 4.2 hereof or, by written notice to such CHC Person given no  
later than the fifth day after receipt of the Distribution Completion Notice,  
elect to cancel the Call Notice as to such CHC Person, in which event FFB shall  
have no obligation to redeem any of such Excess Shares.

4.2 The closing of the redemption of the Call Shares shall take place  
on such date, not earlier than 20 nor later than 60 days following the date of  
receipt of the Call Notice by the last CHC Person to receive such notice, as FFB  
and CHC shall mutually agree; provided, however, that (i) in the event that a

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CHC Person delivers a Distribution Completion Notice pursuant to Section 4.1  
hereof, such closing, if any, shall be postponed to such date, not

earlier than 20 nor later than 60 days following the date of receipt by FFB of the Distribution Completion Notice, as FFB and CHC shall mutually agree and (ii) in the case of any Shares called for redemption from CHC, the closing of the redemption of any Call Shares to be redeemed from CHC (but not the closing of the redemption of Call Shares from any other CHC Person) shall be postponed (in addition to, and not in lieu of, any postponement required under clause (i) of this sentence) to such date, not earlier than the date of the applicable Meeting with respect thereto and not later than five days thereafter. The closing shall be held at 10:00 a.m., local time, at the principal office of FFB. At such closing, (i) each CHC Person shall deliver to FFB certificates representing the Call Shares being transferred at such closing upon such redemption by such CHC Person, free and clear of any lien, claim or encumbrance (and CHC shall represent and warrant that such Shares shall, immediately prior to such transfer, be so free and clear), (ii) FFB shall deliver to such CHC Person the consideration to be paid for such Call Shares in accordance with Section 4.1 hereof and (iii) each such CHC Person and FFB shall execute such other document and take such other action as shall be reasonably necessary to consummate the redemption of such Call Shares.

4.3 Notwithstanding the foregoing, FFB shall have no right to redeem from CHC, and CHC shall not be obligated to transfer to FFB upon any call for redemption, any Shares unless and until such redemption shall have been authorized and approved by the holders of a majority of the outstanding stock of CHC entitled to vote thereon. CHC shall, as promptly as practicable following delivery of a Call Notice, take all action necessary in accordance with the Delaware General Corporation Law and its Certificate of Incorporation and By-Laws to convene a meeting (the "Meeting") of its stockholders to vote on such redemption and shall file with the Securities and Exchange Commission (the "Commission") under the Exchange Act, and shall use its best efforts to have cleared by the Commission a proxy statement or information statement, as applicable (the "Proxy Statement"), with respect to a meeting of stockholders for purposes of approving such redemption. As promptly as practicable after the Proxy Statement has been cleared by the Commission, CHC shall mail the Proxy Statement to its stockholders as of the record date for the Meeting. Subject to the directors' fiduciary duties under applicable law as advised by counsel reasonably satisfactory to FFB, the Proxy Statement shall contain the recommendation of the Board of Directors of CHC in favor of approval of such redemption.

4.4 FFB shall not be obligated to redeem any Shares at any time pursuant to this Article IV (regardless of whether it has delivered a notice of its election to redeem any Call Shares) to the extent that the redemption of such Call Shares would result in a Violation. As soon as practicable after FFB's determination that the redemption of any Call Shares from any CHC Person would result in a Violation, FFB shall give written notice of such fact to such CHC Person.

#### ARTICLE V

##### Legend

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5.1 All holders of Shares agree that any certificates evidencing Shares shall be stamped or endorsed with a legend in substantially the following form:

THE SHARES OF CLASS B COMMON STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDER'S AGREEMENT DATED AS OF JUNE 30, 1994 BETWEEN FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK ("FFB"), AND CITADEL HOLDING CORPORATION, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND THE RIGHT OF FFB TO REDEEM SUCH SHARES UNDER CERTAIN CIRCUMSTANCES. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF FFB AND MAY BE OBTAINED BY THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO FFB.

5.2 All holders of Shares agree that any certificates representing Shares or shares of Class A Common Stock issued upon conversion of Shares shall be stamped or endorsed with a legend in substantially the following form (and such holders shall be deemed to have agreed to comply with the restrictions set forth in such legend):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES REGULATIONS OF THE OFFICE OF THRIFT SUPERVISION (THE "OTS") AND MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH SUCH SECURITIES REGULATIONS AND APPLICABLE STATE SECURITIES LAWS AND ONLY (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY 12 CFR PART 563G-1, (2) TO FFB, (3) IN A TRANSACTION OTHERWISE EXEMPT FROM SUCH REGISTRATION, SUBJECT TO RECEIPT BY FFB OF SUCH OTHER EVIDENCE (INCLUDING AN OPINION OF COUNSEL) ACCEPTABLE TO IT THAT SUCH TRANSACTION IS EXEMPT FROM SUCH REGISTRATION AND IS IN COMPLIANCE WITH SUCH APPLICABLE STATE SECURITIES LAWS OR (4) PURSUANT TO AN OFFERING CIRCULAR DECLARED EFFECTIVE BY THE OTS, OR ANY SUCCESSOR THERETO, PURSUANT TO SUCH SECURITIES REGULATIONS.



ARTICLE VI

Indemnification; Cooperation; CHC Reimbursements  
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6.1 FFB Indemnification; Directors' and Officers' Insurance.  
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(a) From and after the Closing Date, FFB shall maintain and honor all rights to indemnification (including rights with respect to the advancement of expenses incurred in defense of any action or suit), contribution and exculpation of each present or former director, officer, employee and agent of FFB or any of its subsidiaries (the "FFB Indemnified Parties") existing as of the Closing Date with respect to matters existing or occurring at or prior to the Closing Date, whether claims relating thereto are asserted prior to or after the date hereof, to the fullest extent that FFB is permitted under applicable law and its charter and bylaws in effect on the Closing Date, and to the full extent FFB may be otherwise contractually required to do so.

(b) This Section 6.1 is intended to be for the benefit of, and to grant third party beneficiary rights to, the FFB Indemnified Parties, whether or not they are parties to this Agreement, and each of the FFB Indemnified Parties shall be entitled to enforce the covenants contained in this Section 6.1.

(c) In the event that, after the Closing Date, FFB or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in each such case, proper provisions will be made so that the successors and assigns of FFB assume the obligations of FFB set forth in this Section 6.1.

6.2 Cooperation; CHC Reimbursements  
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(a) FFB shall take reasonable steps to cooperate with CHC and any officer, director or controlling person of CHC in the defense of any action, claim or proceeding brought by any stockholder of FFB against CHC or any such officer, director or controlling person arising out of or in any way relating to the offering contemplated by the Form OC (OTS Docket No. 5770) filed by FFB with the OTS. Notwithstanding the foregoing, FFB shall be under no obligation to take any action under this Section 6.2(a) that

the Board of Directors of FFB determines in good faith would be reasonably likely to impair, in any material respect, the ability of FFB or any officer or director of FFB to assert, on its own behalf, any defense or potential defense in connection with such action, claim or proceeding.

(b) Promptly after receipt by CHC, or any officer, director or controlling person of CHC, of notice of any action, suit or proceeding which may give rise to an obligation by FFB to cooperate in the defense thereof under this Section 6.2, such party shall give prompt written notice thereof to FFB indicating with reasonable particularity the nature of such action, suit or proceeding and the basis thereof (it being understood that any failure by any such Person to give, or delay by any such Person in giving, such notice shall not excuse the obligation of FFB hereunder to assume the defense of such action, suit or proceeding, except to the extent FFB may be actually prejudiced thereby or to the extent such assumption may be impracticable as a result of such failure or delay). In case any such action, suit or proceeding shall be brought against CHC or any officer, director or controlling person of CHC, and FFB is also a defendant in such action, FFB shall, except to the extent that such assumption would be inappropriate due to an actual conflict of interest, assume the defense thereof at FFB's expense, with counsel reasonably satisfactory to CHC. To the extent such assumption would be inappropriate due to such a conflict of interest, FFB shall have no responsibility for the fees and expenses of counsel for CHC or such officer, director or controlling person of CHC, in connection with such action, suit or proceeding. CHC, or such officer, director or controlling person of CHC, shall be entitled to retain its own separate counsel, at its own expense, whether or not the defense of such action, suit or proceeding is assumed by FFB, and FFB shall cause its counsel to cooperate with such counsel to the extent appropriate under the circumstances, taking into account any conflicts of interest between FFB, on the one hand, and CHC or such officer, director or controlling person, on the other hand. Without the written consent of CHC or such officer, director or controlling person of CHC, FFB shall not effect the settlement or compromise on behalf of CHC or such officer, director or controlling person, as the case may be, of, or consent to the entry of any judgment against CHC or such officer, director or controlling person of FFB, as the case may be, with respect to, any pending or threatened action, suit or proceeding.

(c) In the event that FFB shall be required to

repurchase (a "Repurchase") any assets or cure (a "Cure") a breach of a Recourse Representation (as defined in the Offering Circular) contained in a Bulk Sale Agreement (as defined in the Offering Circular), CHC shall reimburse FFB for any Bulk Sale Losses, not to exceed \$4,000,000 in the aggregate, resulting therefrom. Promptly after becoming aware of any breach, or assertion by any Person that there has been a breach, of a Recourse Representation in a Bulk Sale Agreement as to which CHC may be required to reimburse FFB pursuant to this Section 6.2(c), FFB shall notify CHC of such breach or assertion and provide to CHC such information in connection therewith as CHC may from time to time reasonably request. FFB shall consult with CHC with respect to any decision whether to effect a Repurchase or Cure in connection with any such breach and shall make such decision in a manner reasonably calculated to minimize the loss incurred in connection with such breach. Until the day 180 days after the last closing to occur under any Bulk Sale Agreement (or, if earlier, the earliest day on which CHC shall have reimbursed FFB \$4,000,000 pursuant to this Section 6.2(c)), CHC shall maintain, in a segregated account solely for the satisfaction of any obligations of CHC under this Section 6.2(c), the lesser of (i) the amount of any Adjustment Payment (as defined in the Offering Circular) received by CHC and (ii) \$4,000,000. So long as any such funds are required to be so segregated, CHC shall invest such funds solely in securities backed by the full faith and credit of the United States of America with a remaining maturity not in excess of one year. "Bulk Sale Losses" shall mean (i) with respect to any Cure in connection with any asset, amounts reasonably expended in effecting such Cure, which amounts (A) shall not exceed the amount FFB would have been required to pay pursuant to the applicable Bulk Sale Agreement to repurchase such asset and (B) shall not include fees and expenses of outside counsel to FFB in connection with the Cure, or any breach of a Recourse Representation to which such Cure relates, except if the retention of outside counsel shall be reasonable under the circumstances (such outside counsel as to which FFB is seeking reimbursement hereunder to be selected by CHC and reasonably acceptable to FFB), and (ii) with respect to any Repurchase of any asset, (A) in the event such asset is sold by FFB subsequent to such Repurchase within 6 months of the date of Repurchase, the amount, if any, by which the amount paid by FFB under the applicable Bulk Sale Agreement to effect such Repurchase exceeds the amount realized upon such sale and (B) in the event FFB is unable to effect such a sale by the date six months after the date of such Repurchase, after using commercially reasonable efforts to effect such a sale, at CHC's option either the price paid by FFB to effect such Repurchase or the amount, if any, by

which such price exceeds the appraised value of such asset as reasonably determined by an appraiser selected by CHC using accepted valuation methodologies appropriate for the asset in question. In the event that, upon the Repurchase of any asset, CHC shall elect pursuant to clause (ii)(B) of the immediately preceding sentence to pay to FFB the price paid by FFB to effect such Repurchase, CHC shall be entitled to receive from FFB all of FFB's right, title and interest in such asset in consideration of such payment.

(d) In effecting any such Cure or reselling any asset repurchased (a "Repurchased Asset"), FFB shall consult with CHC. Prior to agreeing to resell any Repurchased Asset for an amount less than the amount paid for such asset by FFB under the applicable Bulk Sale Agreement, FFB shall notify CHC in writing of the proposed terms of such resale (the "Resale Terms"). CHC shall have 10 days from the date of its receipt of such notice to agree in writing to purchase such Repurchased Asset for the Resale Terms, which purchase shall be consummated no later than 30 days after the expiration of such 10 day period. If CHC does not so agree during such 10 day period, FFB shall be free to sell the Repurchased Asset for terms no less favorable to FFB (including without limitation no less cash) than the Resale Terms.

## ARTICLE VII

### Transactions Occurring on Closing Date

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#### 7.1 Consummation of Transactions on Closing Date. On the Closing

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Date, recognizing that the transactions referred to below are conditioned upon one another, the closing of such transactions shall nevertheless be deemed to occur in the following order:

. First, the grant by FFB to CHC of an option to purchase the Office Buildings (as defined in the Offering Circular);

. Second, the sale by FFB to CHC of certain assets as part of the Citadel Sale (as defined in the Offering Circular) on the terms, including the related financing to be provided by FFB, and the transfer by FFB to CHC of the D&O Litigation (as defined in the Offering Circular), in each case as described in the Offering Circular;

. Third, the issuance and sale of a minimum of 20,952,381 shares and a maximum of 22,000,000 shares of

Class A Common Stock and Class C Common Stock pursuant to the several Investors' Purchase Agreements (as defined in the Offering Circular);

. Fourth, the repurchase and cancellation of all of the subordinated notes issued and outstanding under that certain Loan Agreement dated as of May 15, 1990 among CHC, FFB and the Lenders named therein relating to \$60 million original principal amount of FFB's 11.68% Subordinated Notes due 2000 in accordance with the terms of the Settlement Agreement (as defined in the Offering Circular); and

. Fifth, the execution and delivery by FFB of certain leases of portions of the Office Buildings in accordance with the terms described in the Offering Circular.

#### ARTICLE VIII

##### Certain Accounting Matters; Provision of Certain Information -----

##### 8.1 The Recapitalization. On the Closing Date, FFB's charter shall -----

be amended and restated as described in the Offering Circular, as a result of which the share of common stock, par value \$.01 per share, held of record and beneficially by CHC, will be reclassified into a number of shares of Class B Common Stock and, under certain circumstances, an amount in cash, all as described in the Offering Circular. For purposes of determining Stockholders' Equity and Adjusted Stockholders' Equity (as defined in the Offering Circular) at June 30, 1994, FFB and CHC agree that the accounting and income tax items set forth on Annex A hereto shall be accorded the treatments set forth thereon.

##### 8.2 Certain Information. -----

(a) FFB shall promptly provide to CHC such information as CHC may reasonably request in order to permit CHC to include in its annual reports on Form 10-K or quarterly reports on Form 10-Q filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 such information with respect to FFB as may be required by such Forms. Notwithstanding the foregoing, FFB shall be under no obligation to provide any such information in connection with any such Form if CHC shall not have accounted for its investment in FFB on a consolidated basis or using the equity method for any of the periods for which financial statements are required to be presented in such

Form. CHC shall use its best efforts to maintain the confidentiality of all confidential information of FFB which is obtained by CHC pursuant to this Section 8.2. The term "best efforts" shall mean efforts at least as thorough as the efforts CHC uses to maintain the confidentiality of its own confidential information. Notwithstanding the foregoing, (i) CHC may disclose such information (a) at the request of any applicable regulatory authority or in connection with an examination of FFB by such authority, (b) pursuant to subpoena or other court process, (c) when required to do so in accordance with the provisions of any applicable law (including the Exchange Act in connection with the filing by CHC of any Form 10-K or 10-Q), (d) at the express direction of any other agency or regulatory authority having jurisdiction over FFB or CHC, provided that in each of the cases identified in (a) through (d) CHC has promptly notified FFB in writing prior to such disclosure and cooperates with FFB, at FFB's expense, in any proceeding to maintain such information under seal or to otherwise prevent the public disclosure thereof; and (ii) the obligations of CHC under this paragraph shall not apply to information that has entered the public domain through no fault of CHC or which CHC has rightfully acquired from third persons not known by CHC to be under an obligation of confidence to FFB.

(b) So long as FFB shall furnish holders of Class A Common Stock or Class C Common Stock with annual or quarterly reports pursuant to the Placement Agency Agreement, FFB shall concurrently furnish such reports to each holder of Class B Common Stock.

ARTICLE IX

Miscellaneous  
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9.1 Recapitalization, Exchanges, etc. Affecting the Shares. The  
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provisions of this Agreement applicable to the Shares shall also apply with respect to any and all shares of capital stock of FFB (other than any shares of Class A Common Stock) or any successor or assign of FFB (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or in substitution for the Shares, by reason of any stock dividend, split, reverse split, combination, recapitalization, reclassification, merger, consolidation or otherwise; provided, however, that upon the issuance of  
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any shares of Class A Common Stock in exchange for shares of Class B Common Stock pursuant to the terms of FFB's Amended and Restated Charter S, as in effect immediately following

the Recapitalization (as defined in the Offering Circular), the provisions of this Agreement shall not apply to such shares of Class A Common Stock or to any shares of capital stock of FFB thereafter issued in respect of, in exchange for or in substitution for such shares of Class A Common Stock. In the event of any change in the capitalization of FFB, as a result of any stock split, stock dividend or stock combination, the provisions of this Agreement shall be appropriately adjusted.

## 9.2 Arbitration.

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(a) Except for an action by any party hereto seeking solely a temporary restraining order, preliminary or final injunction or specific performance requiring or prohibiting future action, any and all disputes between or among the parties hereto, however significant, arising out of, relating in any way to or in connection with this Agreement (including the validity, scope and enforceability of this arbitration clause) shall be solely settled by an arbitration conducted in accordance with the rules of the American Arbitration Association or any similar successor body and to be held in Los Angeles, California.

(b) Any arbitration hereunder shall be held before a single arbitrator mutually agreed to by the parties thereto, except that, if the parties shall fail to agree to such an arbitrator within five days from the date on which the claimant's request for arbitration is delivered to the other party to the arbitration, such arbitration shall be held before a panel of three arbitrators and each party shall appoint one arbitrator. If a party fails to nominate an arbitrator within 10 days from the date on which the claimant's request for arbitration has been communicated to the other party, the appointment shall be made by the American Arbitration Association. The two arbitrators so appointed shall attempt to agree upon the third arbitrator to act as chairman. If the two arbitrators fail to nominate the chairman within 10 days from the date of appointment of the later appointed arbitrator, the chairman shall be selected by the American Arbitration Association.

(c) Discovery may be taken in the arbitration proceedings pursuant to the provisions of California Code of Civil Procedure Section 1283.05, which are incorporated herein by reference and made applicable to any arbitration held pursuant to this Section.

(d) The award of the arbitrator(s) shall be final, and the parties agree to waive their right to any form of appeal, to the greatest extent allowed by law, and

to share equally the fees and expenses of the arbitrators. Judgment upon any award of the arbitrators may be entered in any court having jurisdiction or application may be made to such court for the judicial acceptance of the award and for order of enforcement.

(e) If any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover such reasonable attorneys' fees and other costs incurred in that proceeding, in addition to any other relief to which it or they may be entitled, as may be ordered in connection with such proceeding.

9.3 Injunctive Relief. Each party hereto acknowledges that it would

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be impossible to determine the amount of damages that would result from any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that each other party shall, in addition to any other rights or remedies which it may have, be entitled to seek such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by law, to have each provision of this Agreement specifically enforced against such party, without the necessity of posting bond or other security against such party, and consents to the entry of injunctive relief against such party enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

9.4 Successors and Assigns. All the terms and provisions of this

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Agreement shall be binding upon, shall inure solely to the benefit of and shall be enforceable by the parties hereto and their respective successors and assigns, and no such term or provision is for the benefit of, or intended to create any obligations to, any other Person. Without limiting the generality of the foregoing, FFB shall have the right, at any time and from time to time, without the consent of any holder of Shares, to assign to any Person any or all of FFB's rights pursuant to Section 3.1 hereof. If any holder shall acquire additional Shares and if any Transferee of any holder of Shares shall acquire any Shares, in each case in any manner, whether by



operation of law or otherwise, such Shares shall be held subject to all of the terms of this Agreement, and by taking and holding such Shares such Person shall be conclusively deemed to have agreed to be bound by and to comply with all of the terms and provisions of this Agreement.

9.5 Amendment; Waiver. (a) This Agreement may be amended as to any

holder of Shares only by a written instrument duly executed by FFB and such holder.

(b) No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition, any such waiver being effective only if contained in a writing executed by the waiving party.

9.6 Notices. Except as otherwise provided in this Agreement, all

notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, when delivered personally or by courier, three days after being deposited in the mail, or when received by facsimile transmission if promptly confirmed by one of the foregoing means, as follows: if to FFB to it at 600 North Brand Boulevard, Glendale, California 91203, Attention: General Counsel, facsimile transmission no. (818) 549-3773, and if to the other parties at the address or facsimile transmission number specified below its name on the signature pages hereto (or, in the case of Persons who become parties hereto subsequently, at their last addresses or facsimile transmission numbers shown on the record books of FFB). Each holder of Shares, by notice given to FFB in accordance with this Section 10.5, may change the address or facsimile transmission number to which such notice or other communications are to be sent to such holder of Shares.

9.7 Inspection. For so long as this Agreement shall be in effect,

this Agreement and any amendments hereto shall be made available for inspection and copying on any business day at the offices of FFB at the address thereof set forth in Section 8.5 above.

9.8 APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND

CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

9.9 Headings. The descriptive headings of the several sections in

this Agreement are for convenience only

and do not constitute part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

9.10 Integration. This Agreement and the other writings referred to  
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herein or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to its subject matter other than those expressly set forth or referred to herein.

9.11 Severability. If any term or provision of this Agreement or any  
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application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

9.12 Counterparts. This Agreement may be executed in two or more  
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counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

FIDELITY FEDERAL BANK,  
A Federal Savings Bank

By: /s/ Godfrey B. Evans  
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Godfrey B. Evans  
Executive Vice President and Secretary

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood  
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Richard M. Greenwood  
President and Chief Executive Officer

TAX DISAFFILIATION AGREEMENT dated as of August 4, 1994, by and between Citadel Holding Corporation, a Delaware corporation ("Citadel"), and Fidelity Federal Bank, A Federal Savings Bank ("Fidelity").

RECITALS

A. Citadel is the common parent of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the members of the affiliated group, including Fidelity, have heretofore joined in filing consolidated Federal income tax returns.

B. Pursuant to the Investors' Purchase Agreements dated as of various dates, among Citadel, Fidelity and the investors' parties thereof (a form of which is included in Annex A to Fidelity's Offering Circular dated July 12, 1994), Fidelity will issue Class A Common Stock and Class C Common Stock such that Fidelity will no longer be a member of the affiliated group of which Citadel is the common parent for Federal income tax purposes (the "Disaffiliation").

C. Citadel and Fidelity desire on behalf of themselves, their subsidiaries and their successors to set forth their rights and obligations with respect to taxes due for periods before and after the Disaffiliation.

NOW, THEREFORE, the parties hereto agree as follows:

Article I

Definitions

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For the purposes of this Agreement,

1.01 "Citadel Group" shall mean, for any period, Citadel and its then

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Subsidiaries.

1.02 "Date of Disaffiliation" shall mean the day on which Fidelity  
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ceases to be a member of the affiliated group of which Citadel is also a member.

1.03 "Final Determination" shall mean with respect to any issue (1) a  
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decision, judgment, decree or other order by any court of competent  
jurisdiction, which decision, judgment, decree or other order has become final  
and not subject to further appeal, (2) a closing agreement entered into under  
Section 7121 of the Code or any other binding settlement agreement (whether or  
not with the Internal Revenue Service) entered into in connection with or in  
contemplation of an administrative or judicial proceeding, or (3) the completion  
of the highest level of administrative proceedings if a judicial contest is not  
or is no longer available.

1.04 "Fidelity Group" shall mean, for any period, Fidelity and its  
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then Subsidiaries.

1.05 "Indemnitor" shall have the meaning set forth in Section 5.02.  
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1.06 "Period After Disaffiliation" shall mean any taxable year or  
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other taxable period beginning after the Date of Disaffiliation and, in the case  
of any taxable year or other taxable period that begins before and ends after  
the Date of Disaffiliation, that part of the taxable year or other taxable  
period that begins after the close of the Date of Disaffiliation.

1.07 "Period Before Disaffiliation" shall mean any taxable year or  
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other taxable period that ends on or before the Date of Disaffiliation and, in  
the case of any taxable year or other taxable period that begins before and ends  
after the Date of Disaffiliation, that part of the taxable year or other taxable  
period through the close of the Date of Disaffiliation.

1.08 "Subsidiary" shall mean a corporation, partnership, joint

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venture or other business entity if 50% or more of the outstanding equity or voting power of such entity is owned directly or indirectly by the corporation with respect to which such term is used. In determining whether a Subsidiary is a Subsidiary of Fidelity or Citadel for any period, Fidelity shall not be a Subsidiary of Citadel and any Subsidiary of Fidelity shall be a Subsidiary of Fidelity, not Citadel, for such period. Notwithstanding the foregoing, Gateway Investment Services, Inc. shall be a Subsidiary of Fidelity.

1.09 "tax" or "taxes" whether used in the form of a noun or

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adjective, shall mean taxes on or measured by income, franchise, gross receipts, sales, use, excise, payroll, personal property, real property, ad-valorem, value-added, leasing, leasing use or other taxes, levies, imposts, duties, charges or withholdings of any nature. Whenever the term "tax" or "taxes" is used (including, without limitation, regarding any duty to reimburse another party for indemnified taxes or refunds or credits of taxes) it shall include penalties, fines, additions to tax and interest thereon.

1.10 "Tax Returns" shall mean all reports or returns required to be

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filed or that may be filed for any period with any taxing authority (whether domestic or foreign) in connection with any tax or taxes (whether domestic or foreign).

## Article II

### Tax Returns, Tax Payments and Tax Sharing Agreement

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2.01 Obligations to File Tax Returns. Citadel shall timely file or

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cause to be filed all Tax Returns with respect to the Fidelity Group (or any member thereof) that (a) are required to be filed and are due before the Date of

Disaffiliation or (b) are for the taxable year or period of the Citadel Group that begins before and ends after the Date of Disaffiliation, are filed on a consolidated, combined or unitary basis and include Fidelity or any of its Subsidiaries and Citadel or any of its Subsidiaries (including Citadel consolidated return for the period that includes the Date of Disaffiliation). Upon the request of Citadel, employees of Fidelity shall assist Citadel in the preparation of the foregoing Tax Returns. Fidelity shall have the right (subject to an obligation to act in good faith) to review and approve of such Tax Returns prior to the filing thereof. Fidelity shall timely file or cause to be filed any other Tax Return with respect to the Fidelity Group (or any member thereof).

2.02 Obligation to Remit Taxes. Citadel and Fidelity shall each

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remit or cause to be remitted any taxes due in respect of any tax for which it is required to file a return and shall be entitled to reimbursement for such payments only to the extent provided in Section 2.03.

2.03 Tax Sharing Obligations and Prior Agreements. (a) Except

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to the extent previously paid by any member of the Fidelity Group to the Citadel Group, Fidelity shall be liable for and shall hold the Citadel Group harmless against (i) any tax liability of the Fidelity Group (or any member thereof) for any Period After Disaffiliation, (ii) any tax liability of the Fidelity Group, or any member thereof, (as determined in good faith by Fidelity and without modification except for any subsequent refund or deficiency asserted by a taxing authority) for any taxable year or period in respect of the Period Before Disaffiliation for which no Tax Return has been filed as of the Date of Disaffiliation, and (iii) any tax liability resulting from a Final Determination with respect to an adjustment asserted by a taxing authority and attributable to any member of the

Fidelity Group for any Period Before Disaffiliation other than the periods contemplated by clause (ii) above. Except to the extent previously paid by any member of the Citadel Group to the Fidelity Group, Fidelity shall be entitled to any refund or credit of taxes of the Fidelity Group (or any member thereof). Any liability for taxes under this Section 2.03(a) shall be measured by the Citadel Group's actual liability for taxes for the taxable year with respect to which the liability for taxes under this Section 2.03(a) has arisen, after applying tax benefits otherwise available to the Citadel Group for such taxable year. Any right to a refund under this Section 2.03(a) shall be measured by the actual refund or credit of the Citadel Group attributable to the adjustment. Notwithstanding any provision of this Agreement to the contrary, any refund of taxes resulting from the carryback of consolidated net operating losses from the taxable years ending December 31, 1993 or December 31, 1994 shall be apportioned between the Citadel Group and the Fidelity Group based upon their proportionate contributions to such consolidated net operating losses.

(b) Citadel shall be liable for and shall hold the Fidelity Group harmless against any liability attributable to any member of the Citadel Group for taxes regardless of whether attributable to a Period Before Disaffiliation or a Period After Disaffiliation, including any liability attributable to the Disaffiliation and any liability asserted against any member of the Fidelity Group under the provisions of Treasury Regulations Section 1.1502-6(a) that impose several liability on members of an affiliated group of corporations that files consolidated returns, or similar provisions of any foreign, state or local law, in respect of taxes of any member of the Citadel Group. Citadel shall be entitled to any refund of taxes for any period that is attributable to the Citadel Group.

(c) Except as set forth in this Section 2.03 and in consideration of the mutual indemnities and other obligations of this Agreement, any and all prior tax sharing agreements or practices between any member of the Citadel Group and any member of the Fidelity Group shall be terminated with respect to the Fidelity Group as of the date hereof and no further payments shall be made thereunder. Nothing in this Agreement shall limit the payment by Fidelity to Citadel of \$631,000 in respect of Citadel's portion of the consolidated refund of federal income taxes for the taxable year ended December 31, 1993.

2.04 Period that Includes the Date of Disaffiliation.  
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(a) To the extent permitted by law or administrative practice, the taxable year of the Fidelity Group (or any member thereof) shall be treated as closing at the close of the Date of Disaffiliation.

(b) If it is necessary for purposes of this Agreement to determine the income tax liability of any member of the Fidelity Group for a taxable year that begins on or before and ends after the Date of the Disaffiliation and is not treated under Section 2.04(a) as closing at the close of the Date of Disaffiliation, the determination shall be made by assuming that such member of the Fidelity Group had a taxable year that ended at the close of the Date of the Disaffiliation, except that exemptions, allowances or deductions that are calculated on an annual basis shall be apportioned on a time basis.

Article III

Net Operating Losses  
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3.01 Carrybacks. Without the prior consent of Citadel, no member of  
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the Fidelity Group shall carry back any



net operating loss ("NOL") or other item from a Period After Disaffiliation to a Period Before Disaffiliation.

3.02 Preservation of Fidelity's Tax Attributes. Citadel shall not

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make any election or take any action that would have the effect of reducing the economic value of the beneficial tax attributes otherwise attributable to the Fidelity Group (or any member thereof) on the Date of Disaffiliation, including the elections available under Section 382 of the Code or Treasury Regulations Section 1.1502-20(g).

Article IV  
Payments  
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4.01 Tax Sharing Agreement. Fidelity shall pay the final amount

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owed, if any, under clause (ii) of Section 2.03(a) within 30 calendar days after the filing of the relevant Tax Return.

4.02 Other Payments. Other payments due to a party under Section

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2.03 shall be due not later than 20 calendar days after the receipt or crediting of a refund or the receipt of notice of a Final Determination that the indemnified party is liable for an indemnified cost.

4.03 Notice. Citadel and Fidelity shall give each other prompt

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notice of any payment that may be due under this Agreement.

Article V  
Tax Audits  
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5.01 General. Except as provided in Section 5.02, each of Fidelity

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and Citadel shall have sole responsibility for all audits or other proceedings with respect to returns that it is required to file under Section 2.01.

5.02 Indemnified Claims. Citadel or Fidelity shall promptly notify

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the other in writing of any examination or proposed adjustment to a return that may result in liability of the other party (the "Indemnitor") under this Agreement. The Indemnitor shall have the sole right to conduct the examination or contest the proposed adjustment and to employ counsel of its choice at its expense; provided, however, that if the examination or proposed adjustment involves a consolidated, combined or similar Tax Return for which the other party is responsible and cannot be separated from the Tax Return under applicable law, the Indemnitor shall not settle the examination or proposed adjustment without the consent of the other party, which consent shall not be unreasonably withheld. The Indemnitor shall provide the other party with information about the nature and amounts of the examination or proposed adjustments and, in the sole discretion of the Indemnitor, may permit the other party to participate in the audit or other proceeding.

Article VI

Cooperation

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Citadel and Fidelity shall cooperate with each other in the filing of any Tax Returns and the conduct of any audit or other proceeding and each shall execute and deliver such powers of attorney and make available such other documents as are necessary to carry out the intent of this Agreement. Each party agrees to notify the other party of any audit adjustments which do not result in tax liability but can be reasonably expected to affect Tax Returns of the other party, or any of its Subsidiaries, for a Period After Disaffiliation.

Article VII

Retention of Records; Access  
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The Citadel Group and each member of the Fidelity Group shall (a) in accordance with their then current record retention policy, retain records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all returns in respect of taxes of the Citadel Group or the Fidelity Group or for the audit of such returns; and (b) give to the other reasonable access to such records, documents, accounting data and other information (including computer data) and to its personnel (insuring their cooperation) and premises, for the purpose of the review or audit of such returns to the extent relevant to an obligation or liability of a party under this Agreement.

Article VIII

Disputes  
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If Citadel and Fidelity cannot agree on any calculation of any liabilities under this Agreement, such calculation shall be made by any independent public accounting firm acceptable to both Citadel and Fidelity. The decision of such firm shall be final and binding. The fees and expenses incurred in connection with such calculation shall be borne equally by Citadel and Fidelity.

Article IX

Termination of Liabilities  
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Notwithstanding any other provision in this Agreement, any liabilities determined under this Agreement shall not terminate any earlier than the expiration of the applicable statute of limitation for such liability. All other covenants under this Agreement shall survive indefinitely.

Article X

Miscellaneous Provisions

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10.01 Notices and Governing Law. All notices required or permitted

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to be given pursuant to this Agreement shall be given, and the applicable law governing the interpretation of this Agreement shall be determined, by the applicable provisions of the Investors' Purchase Agreement.

10.02 Binding Effect; No Assignment; Third Party Beneficiaries. This

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Agreement shall be binding on, and shall inure to the benefit of, the parties and their respective successors and assigns. Citadel and Fidelity hereby guarantee the performance of all actions, agreements and obligations provided for under this Agreement of each member of the Citadel Group and the Fidelity Group, respectively. Citadel and Fidelity shall, upon the written request of the other, cause any of their respective Subsidiaries to execute this Agreement. Citadel or Fidelity shall not assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other party. No person (including, without limitation, any employee of a party or any stockholder of a party) shall be, or shall be deemed to be, a third party beneficiary of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

Citadel Holding Corporation

By /s/ RICHARD M. GREENWOOD

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Name: Richard M. Greenwood  
Title: President and Chief Executive Officer

Fidelity Federal Bank

By /s/ GODFREY B. EVANS

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Name: Godfrey B. Evans  
Title: Executive Vice President and Secretary

## OPTION AGREEMENT

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THIS OPTION AGREEMENT ("Agreement") is made as of the 4th day of August, 1994, by and between Fidelity Federal Bank, a Federal Savings Bank ("Optionor"), and Citadel Holding Corporation, a Delaware corporation, and its successors and assigns ("Optionee").

A. Optionor has agreed to dividend and otherwise convey to Optionee an option to purchase (the "Option") certain real property and improvements located thereon, commonly known as 14455-75 Ventura Boulevard, Sherman Oaks, California, and more particularly described on Exhibit A-1 hereto (the "Sherman Oaks Property"), and certain real property and improvements located thereon commonly known as 600 North Brand Boulevard, Glendale, California, and more particularly described on Exhibit A-2 hereto (the "Glendale Property") (the Sherman Oaks Property and the Glendale Property being collectively referred to as the "Properties"), pursuant to the terms and conditions of this Agreement.

B. Optionor desires to dividend and otherwise convey the Option to Optionee, and Optionee desires to accept the conveyance of the Option, pursuant to the following terms and conditions.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. The following definitions are hereby incorporated in this

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Agreement:

"Affidavit of Non-Foreign Status" means a certification from Optionor to

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Optionee in the form of Exhibit C attached hereto.

"Assignment of Leases" means a good and sufficient assignment of the Leases

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for each Property executed by Optionor in favor of Optionee, in the forms of Exhibit D-1 and Exhibit D-2 attached hereto.

"Bill of Sale" means a good and sufficient bill of sale for each Property

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to transfer the Personal Property, executed by Optionor in favor of Optionee, in the forms of Exhibit E-1 and Exhibit E-2 attached hereto.

"Closing" means the delivery of the Deeds to the Properties.

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"Closing Date" means the date on which the Closing occurs.

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"Deed" means a good and sufficient Grant Deed in recordable form, with

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respect to the Sherman Oaks Property and/or the Glendale Property, as the case may be, executed and acknowledged by Optionor in favor of Optionee, in the forms of Exhibit B-1 and Exhibit B-2 hereto, respectively.

"Glendale Lease" means the lease by and between Assignee, as landlord, and

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Assignor, as tenant, to be executed by Optionor and Optionee and delivered at the Closing, substantially in the form of Exhibit I hereto, provided that if the date of the exercise of the Option (which shall be the date of the giving of the notice of exercise pursuant to Section 2 below), shall be later than February 4, 1995, then the rent set forth

in the Glendale Lease attached hereto shall be adjusted to the rates prevailing for similar buildings in Glendale at the time of the exercise of the Option. In the event that Optionor and Optionee cannot agree upon such adjusted rental rate within 30 days after the date of the exercise of the Option as to the Glendale Property, then the matter shall be submitted for arbitration in accordance with Section 19 below.

"Improvements" means all buildings, structures, parking lots, landscaping,  
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walks and walkways and all fixtures and equipment (including without limitation all plumbing, electrical, heating, air conditioning and ventilating lines and systems and boilers) located at, on or affixed to the Property to the full extent such items constitute or are or can or may be construed as realty under the laws of the State of California, excepting therefrom only such improvements as may be the property of Tenants.

"Leases" means any agreements, written or oral, pursuant to which any  
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person or entity or any group, association or combination thereof occupies or uses, or has any rights to occupy or use, all or a portion of either of the Properties.

"Memorandum of Option" means a memorandum of the option contained in the  
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Agreement, in the form of Exhibit J-1 and Exhibit J-2 hereto, respectively, duly executed and acknowledged by Optionor and Optionee, to be recorded in the Official Records of Los Angeles County, California, upon the execution and delivery of this Agreement.

"Permitted Exceptions" means those certain matters constituting exceptions  
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to title to, and/or encumbrances against, the Properties, which matters exist of record as of the date hereof, and the Sherman Oaks Lease or the Glendale Lease, as the case may be, together with any subsequent matters approved in writing by Optionee.

"Personal Property" means all tools, equipment, supplies, inventory, air  
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conditioners, fixtures and equipment not deemed or constituting realty, as well as all furniture, furnishings and all other items of tangible personal property used at, on or in connection with the operation of the Properties, including without limitation all items enumerated in Exhibit F attached hereto, excepting therefrom such items as may be the property of Tenants.

"Property" means the land and the Improvements thereon, described in  
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Recital A.

"Purchase Money Financing" means the financing described in Section 11  
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below.

"Purchase Price" shall have the meaning specified in Section 3 below, to be  
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paid by Optionee to Optionor at the Closing of the acquisition by Optionee of either or both of the Properties, as the case may be.

"Service Contracts" means those agreements and arrangements, enumerated in  
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Exhibit G hereto, pursuant to which goods, services, supplies or any other items or maintenance are furnished or to be furnished to the Properties.

"Sherman Oaks Lease" means the lease by and between Assignee, as landlord,  
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and Assignor, as tenant, to be executed and delivered at the Closing, substantially in the form of Exhibit H hereto, provided that if the date of the exercise of the Option (which shall be the date of the giving of the notice of exercise pursuant to Section 2 below), shall be later than February 4, 1995, then the rent set forth in the

Sherman Oaks Lease attached hereto shall be adjusted to the rates prevailing for similar buildings in Sherman Oaks at the time of the exercise of the Option. In the event that Optionor and Optionee cannot agree upon the adjusted rental rate within 30 days after the date of exercise of the Option as to the Sherman Oaks Property, then the matter shall be submitted for arbitration pursuant to Section 19 below.

"Tenant" means the holder of any right to occupy or use all or part of the  
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Property pursuant to a Lease.

"Term" means the period of time described in Section 2 below.  
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"Title Company" means Chicago Title Insurance Company, or such other title  
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insurance company as shall be mutually acceptable to Optionor and Optionee.

"Title Report" means in the case of each Property, a current preliminary  
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title report issued by the Title Company to Optionee, which preliminary title report must disclose Optionor's interest in the relevant Property, copies of which are attached hereto as Exhibits K-1 and K-2, respectively.

2. Grant of Option. Subject to and in accordance with all the terms and  
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conditions set forth in this Agreement, Optionor does hereby dividend, grant and otherwise convey unto Optionee, its successors and assigns, an exclusive option to purchase all of Optionor's right, title and interest in and to the Properties, and Optionee does hereby agree to accept such dividend, grant and conveyance from Optionor. The term of the option granted herein (the "Term") shall be for a period of time commencing on the date of this Agreement and continuing until August 3, 1995, unless the Properties are both acquired under the terms of this Agreement prior thereto or this Agreement is sooner terminated in writing by Optionee. The Option is granted in consideration of the sum of \$100 (the "Option Consideration") paid from Optionee to Optionor and by way of a dividend from Optionor to Optionee, its sole stockholder. Optionor acknowledges receipt of the Option Consideration, and acknowledges its sufficiency. Optionee shall exercise the Option, if at all, by delivery to Optionor of a written notice that Optionee is exercising the Option, as to one or both of the Properties, which notice or notices shall be delivered to Optionor prior to the expiration of the Term of the Option granted herein. Optionee shall be entitled to give the notice to exercise the Option with respect to one Property, and shall thereafter still be entitled to give a second notice to exercise the Option with respect to the remaining Property. In all cases, if Optionee fails to deliver the notices required to exercise the Option in the manner described above with respect to one or both of the Properties, then the Option and the rights of Optionee with respect to any Property remaining shall terminate upon expiration of the Term. Optionee shall also give written notice of its intention to exercise the Option, as to one or both of the Properties, to the Office of Thrift Supervision ("OTS") which notice shall be delivered to the OTS (i) if the Option is to be exercised on or prior to February 4, 1995, at least fifteen days prior to the date the Option is to be exercised or (ii) if the Option is to be exercised after February 4, 1995, at least thirty days prior to the date the Option is to be exercised. Optionee agrees that it will execute and acknowledge one or more quitclaim deeds, upon the end of the Term, in the event that Optionee does not timely exercise its Option hereunder with respect to either or both of the Properties, in order to remove or release of record the encumbrance created by the recordation of the Memorandum of Option to be recorded by Optionee upon execution of this Agreement. The parties hereto shall execute, acknowledge and record the Memorandum of Option upon the execution and delivery of this Agreement.

3. Purchase Price; Payment Thereof. In the event of the exercise by  
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Optionee of the Option set forth herein for either Property, Optionor agrees to sell such Property to Optionee on the terms and conditions set forth in this Agreement. The Purchase Price for the Glendale Property shall be \$7,118,000 and the Purchase Price for the Sherman Oaks Property shall be \$2,262,000, in each case subject to prorations and adjustments described in Section 8 below. The Purchase Price and Optionee's Closing



Expenses (as set forth in Section 9 below), shall be paid by wire transfer or other mutually acceptable transfer of immediately available funds.

4. Conveyance of Title. Title to the Properties shall be conveyed by

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Optionor to Optionee by means of the Deeds, subject only to the liens of (i) general and special real property taxes and assessments not delinquent, (ii) the Permitted Exceptions and (iii) any other matters consented to in writing by Optionee during the Term.

5. Closing Date. The Closing Date for each Property shall be such date as

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may be agreed upon by Optionor and Optionee, provided that the Closing Date shall be within sixty (60) days following the notice of exercise by the Optionee as to such Property, or as soon thereafter as reasonably possible.

6. Closing Deliveries. At the Closing for each Property, the following

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actions shall be taken and deliveries made, which deliveries shall be made through an escrow at the Title Company in the event that Optionee utilizes the Purchase Money Financing described in Section 11 below:

(a) The Deed(s) shall be delivered to Optionee for recording.

(b) The Assignment(s) of Leases shall be delivered to Optionee, for recording at the option of Optionee.

(c) The Bill(s) of Sale shall be delivered to Optionee.

(d) An assignment, duly executed by Optionor, of any and all Service Contracts which Optionee may agree to assume with respect to the Properties shall be executed by both parties and delivered to Optionee and Optionor.

(e) The Assignment(s) of General Intangibles, Licenses and Permits shall be executed by both parties and delivered to Optionee and Optionor.

(f) The Sherman Oaks Lease and/or the Glendale Lease, as the case may be, depending on whether one or both Properties is being acquired, shall be executed and delivered by Optionor and Optionee.

(g) A letter from Optionor to Tenants at the Property being acquired, giving notice of the sale and specifying the address to which rent payments should be sent shall be delivered to Optionee. Optionee shall execute such letters (or separate letters) to evidence its responsibility for obligations under the Leases for matters which are to be performed after Closing as required hereunder and for the return of all security deposits transferred or credited to Optionee at Closing.

(h) An Affidavit of Non-Foreign Status shall be delivered to Optionee.

(i) Originals of all materials relating to the Property being acquired which are in the possession of or under the control of Optionor, including without limitation, the Leases, shall be delivered to Optionee.

(j) The Purchase Price for the Property being acquired shall be paid to Optionor.

7. Conditions to Closing; Termination of Agreement. The acquisition of

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the Properties hereunder is subject to the execution and delivery of the Glendale Lease and/or the Sherman Oaks Lease, as the case may be, depending on the Property to be acquired. In the event that the Option is exercised subsequent to February 4, 1995, then the execution and delivery of the Glendale Lease and the Sherman Oaks Lease is, in each case, conditioned upon the submission of the Lease in question to the OTS, and the Closing on such Property is subject to the OTS approving such Lease or confirming that it will not object to such Lease. Optionor agrees to endeavor in good faith to promptly obtain such approval or consent. The parties understand and acknowledge that the purpose of this review by the OTS is to determine that the rents provided in such Leases continue to be market rents. In the event that the OTS fails to grant such approval or confirmation, Optionor and Optionee will endeavor in good faith to negotiate revisions to such Lease(s) as shall be acceptable to the OTS.

8. Prorations and Adjustments. The following items are to be apportioned

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between Optionee and Optionor as of 11:59 p.m. of the day next preceding the Closing Date (it being understood and agreed that Optionor shall submit to Optionee a draft schedule of prorations not less than two (2) business days prior to the scheduled Closing Date, together with satisfactory documentary supporting evidence for all such prorations):

(a) Rents and charges of Tenants for the month in which the Closing occurs to the extent actually collected by Optionor. Any commissions due in connection with any Leases shall be pro-rated between Optionee and Optionor as of the Closing Date based upon the relative portion of the term of the Leases falling within Optionor's and Optionee's respective ownership periods. Nothing herein contained shall prohibit or restrict the right of Optionor to collect any unpaid amounts due as of the Closing Date from Tenants that have abandoned the premises or vacated, whether by lawsuit or by arbitration, provided that should Optionor desire to initiate such legal proceedings, Optionor shall give Optionee written notice of such intent and allow Optionee to join in such proceedings. In the event that Optionee does not respond within twenty (20) days of Optionor's written notice regarding such proceedings, or Optionee otherwise declines to join in such proceedings, Optionor shall be entitled to proceed without the participation of Optionee. All prepaid rents and charges for the period following the Closing and all security or other deposits of Tenants held by Optionor shall be paid over by Optionor to Optionee. Optionor agrees to and does hereby indemnify, defend and hold Optionee harmless against any liability or expense incurred by Optionee by reason of any Tenant's security deposit (and interest thereon, if required by law) collected by Optionor and not paid (or credited) to Optionee at the Closing. Optionee agrees to and does hereby indemnify, defend and hold Optionor harmless against any liability or expense incurred by Optionor by reason of any Tenant's security deposit (and interest thereon, if required by law) which was transferred to Optionee at the Closing or collected by Optionee after the Closing. These provisions shall survive the Closing.

(b) Real property taxes and assessments for the tax year in which the Closing occurs. In the event a final tax bill is not available for such year at the Closing, the required proration shall be made on the basis of the most recent available final tax bill and a further proration shall be made between the parties when the final tax bill for the tax year in which the Closing occurs becomes available. This provision shall survive the Closing.

(c) Utility charges and deposits, including water, sewer, electricity and gas, and maintenance charges, if any, for sewers. In conjunction with such prorations, Optionor will assign to Optionee all utility deposits (subject to reimbursement therefor

through escrow), and notify, or cause to be notified, all utilities servicing the Property of the change in ownership and direct that all future billings be made to Optionee at the address of the Property with no interruption of service. Optionor shall use its best efforts to procure final meter readings for all utilities as of the Closing Date and to have such bills rendered directly to Optionor. If Tenants are responsible for and receive all such statements, no such notifications shall be required.

(d) Fees and charges under such of the Service Contracts as are being assigned to and assumed by Optionee at the Closing, on the basis of the periods to which such Service Contracts relate.

(e) Notwithstanding the foregoing, Optionor and Optionee acknowledge and agree that the prorations shall be impacted, in some cases, by the terms of the Glendale Lease and the Sherman Oaks Lease, and these provisions are deemed modified to the extent necessary to reflect the allocation of the responsibilities of Optionor and Optionee for the fees and charges described above, under those Leases.

9. Closing Expenses. The expenses of Closing shall be paid as follows:

(a) Optionee shall pay (i) the fees and expenses of the legal and other advisors and consultants of Optionee, (ii) the cost of recording the Memorandum of Option and Deed with respect to each Property, and any other recording fees to record documents relating to the financing of Optionee's acquisition of the Properties, whether provided by Optionor or a third party, (iii) the cost of any title insurance and any endorsements desired by Optionee, (iv) the cost of title insurance policies insuring Optionor as to the validity and first lien priority of the deeds of trust, in the event that Optionee utilizes the Purchase Money Financing described in Section 11 below, (v) the costs of any escrow, and (vi) the cost of any documentary or other transfer taxes (collectively "Optionee's Closing Expenses").

(b) Optionor shall pay (i) all costs, expenses and charges for the Title Reports, (ii) any sales taxes respecting the Personal Property, and (iii) the fees and expenses of the legal and other advisors of Optionor (collectively "Optionor's Closing Expenses").

10. Required Withholding. Unless Optionor shall fail to deliver a duly

executed certificate of exemption, which shall be deemed satisfaction to Optionee and escrow that an exemption applies, or unless Optionor shall otherwise demonstrate to the satisfaction of Optionee that an exemption is available, Optionor or escrow, as the case may be, shall deduct from amounts due to Optionor any amounts required to be withheld pursuant to California Revenue and Taxation Code Sections 18805 and/or 26131 and shall report and remit any such amounts so withheld to the California Franchise Tax Board with such forms and at such times as shall be required by the California Franchise Tax Board or applicable statute or regulation.

11. Purchase Money Financing. Optionor agrees to make available to

Optionee, on the terms and conditions set forth herein, purchase money financing to acquire the Properties, to be secured by first priority deeds of trust on the Properties (the "Purchase Money Financing"). The Purchase Money Financing shall be in an amount that shall not exceed 75% of the Purchase Price of the Property. The Purchase Money Financing shall be made available on market terms for similar loans made by Optionor (or if Optionor is not making similar loans, then for similar institutional lenders), based on security similar to the Properties, and shall be subject to the customary underwriting

procedures and requirements of Optionor. In addition, the terms of the Purchase Money Financing shall be subject to compliance with applicable law and (if applicable because Optionor and Optionee are then affiliated), Optionor's Transaction with Affiliates and Conflicts of Interest Policy. The loan documents shall be on Optionor's customary form documents. The loan documents shall provide for separate loans secured by the Glendale Property, on the one hand, and the Sherman Oaks Property, on the other hand, in the event that both Properties are acquired and financed hereunder. No cross-collateralization or cross-defaulting of such loans shall be required.

12. Damage or Destruction. In the event of any damage to or destruction

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of the Property or any portion thereof after exercise by Optionee of the Option and the Closing Date for any Property (notice of which shall be given to Optionee by Optionor promptly upon its occurrence), for which Optionor receives sufficient insurance proceeds by which the damage or destruction can be reasonably repaired or replaced by Optionor prior to the Closing Date, Optionor agrees to do so and in a manner (a) consistent with Optionor's business plans and operations, and (b) reasonably satisfactory to Optionee. If such damage or destruction is not fully insured or if such repair or replacement cannot reasonably be completed prior to the Closing Date, Optionee may, at its option, by written notice to Optionor given within thirty (30) days after Optionee is notified of such damage or destruction, (a) unilaterally terminate this Agreement, or (b) elect to continue this Agreement and purchase the Property, without any reduction of the Purchase Price, but with an assignment to Optionee of all insurance proceeds otherwise payable to Optionor.

13. Eminent Domain. In the event of any threatened, contemplated,

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commenced or consummated proceedings in eminent domain after exercise of the Option and the Closing Date for any Property (notice of which shall be given to Optionee by Optionor promptly) respecting the Property, Optionee may, at its option, by written notice to Optionor given within thirty (30) days after Optionee is notified of such actual or possible proceedings, (a) unilaterally terminate this Agreement, or (b) elect to continue this Agreement, in which event Optionor shall, at the Closing, assign to Optionee its entire right, title and interest in and to any condemnation award. Optionee shall have the sole right during the Contract Period to negotiate and otherwise deal with the condemning authority in respect of such matter.

14. Headings. The headings used in this Agreement are for purposes of

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convenience only and shall not be used in construing the provisions hereof.

15. Covenant Of Further Assurances. The parties hereto agree to execute

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such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Agreement.

16. Governing Law. This Agreement shall be governed by and construed in

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accordance with the laws of the State of California.

17. Severability. The provisions of this Agreement shall be deemed

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severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of the other provisions hereof.

18. Assignability. This Agreement may be assigned by Optionee without the

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prior written consent of Optionor. This Agreement shall be binding on the successors and assigns of the parties hereto.

19. Arbitration. In the event that Optionor and Optionee are unable to

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resolve any dispute regarding the adjustment of the rental rates under the Glendale Lease and/or the Sherman Oaks Lease within the time allotted hereunder, then either party shall be entitled to submit the matter for determination to the American Arbitration Association in Los Angeles County. Such arbitration shall be conducted in accordance with the then existing rules of such Association, and the decision of the arbitrator shall be binding, notwithstanding the failure of either of the parties to appear in such proceeding after having received due and proper notice of the proceeding. The cost of any said arbitration shall be borne equally by Optionor and Optionee.

20. Conduct during Term. During the Term, Optionor covenants and agrees

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with Optionee that Optionor will not modify any existing Lease, or enter into any new Lease, without the prior written consent of Optionee, which Optionee agrees it will not unreasonably withhold or delay. In addition, Optionor covenants and agrees with Optionee that Optionor shall not voluntarily enter into or create any encumbrances or other new matters of record after the date hereof affecting the Properties (other than the recordation of the Memoranda of Option contemplated hereby), that would not be able to be removed by Optionor of record at the time of the Closing and which Optionor covenants that Optionor would so remove, unless Optionee has consented in writing to such encumbrance or other new matter of record.

21. Notices.

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Any notices or other communications permitted or required hereunder shall be in writing and shall be personally delivered, sent by overnight delivery service, or mailed by certified mail, postage prepaid, and return receipt requested or transmitted by telex, telegraph or facsimile (tested by telephonic confirmation of receipt) to the following addresses, or such other address as may hereafter be furnished in writing in the same manner:

(i) in the case of the Optionor,

Fidelity Federal Bank, F.S.B.  
4565 Colorado Boulevard  
Los Angeles, California 90039  
Attention: Mr. Mel Solway  
Senior Vice President,

Facsimile: (818) 549-3563

with a copy to:

Fidelity Federal Bank, F.S.B.  
Legal Department  
600 N. Brand Boulevard  
Glendale, California 91209  
Attention: Clarissa Weirick, Esq.

Facsimile: (818) 549-3773

(ii) in the case of the Optionee,

Citadel Holding Corporation  
600 North Brand Boulevard  
Glendale, California 91209  
Attention: Mr. Steve Wesson

Facsimile: (818) 551-7456

with a copy to:

Pacific Theatres  
120 North Robertson Boulevard  
Los Angeles, California 90048  
Attention: Ira Levin, Esq.

Facsimile: (310) 652-6490

Notices shall be effective on receipt.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

OPTIONOR:

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FIDELITY FEDERAL BANK  
a Federal Savings Bank

By: /s/ GODFREY B. EVANS

Name: Godfrey B. Evans

Title: Executive Vice President

and Secretary

OPTIONEE:

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CITADEL HOLDING CORPORATION.  
a Delaware corporation

By: /s/ RICHARD M. GREENWOOD

Name: Richard M. Greenwood

Title: President and Chief

Executive Officer

List of Exhibits  
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- A-1. Legal Description of Sherman Oaks Property
- A-2. Legal Description of Glendale Property
- B-1. Grant Deed of Sherman Oaks Property
- B-2. Grant Deed of Glendale Property
- C. Affidavit of Non-Foreign Status
- D-1. Assignment of Leases for Sherman Oaks Property
- D-2. Assignment of Leases for Glendale Property
- E-1. Bill of Sale for Sherman Oaks Property
- E-2. Bill of Sale for Glendale Property
- F. Inventory of Personal Property
- G. List of Service Contracts
- H. Sherman Oaks Lease
- I. Glendale Lease
- J-1 Memorandum of Option for Sherman Oaks Property
- J-2 Memorandum of Option for Glendale Property
- K-1 Title Report for Sherman Oaks Property
- K-2 Title Report for Glendale Property

EXHIBIT "A-1"

LEGAL DESCRIPTION

SHERMAN OAKS PROPERTY

That certain real property described as follows:

Parcel A, of Parcel Map L.A. No. 3971, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 97 page 87 of Parcel Maps, in the office of the County Recorder of said County.



EXHIBIT "A-2"

LEGAL DESCRIPTION

GLENDALE PROPERTY

That certain real property described as follows:

Lots 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12 of McNutt Tract, in the City of Glendale, County of Los Angeles, State of California, as per map recorded in book 11 page 160 of Maps, in the office of the county recorder of said county;

Lots 10, 11 and 14 of Mardale Tract, in the City of Glendale, as per map recorded in book 16 page 20 of Maps, in the office of the County Recorder of said county.

That portion of Lot 7 of Mardale Tract, in the City of Glendale, in the Rancho San Rafael, as shown on map recorded in Book 16, page 20 of Maps, in the office of the County Recorder of said county, bounded Northerly by the following described line:

Beginning at the Southwesterly corner of said Lot; thence from a tangent bearing North 19 degrees 06' 19" East, Northeasterly along a curve concave Southeasterly and having a radius of 15.00 feet, through an angle of 70 degrees 10' 13" an arc distance of 18.37 feet; thence parallel with the Southerly line of said Lot 7 North 89 degrees 16' 32" East, 257.58 feet to a tangent curve, concave Southwesterly and having a radius of 15.00 feet; thence Southeasterly along last said curve to the Southeasterly corner of Lot 8 of said Tract.

EXHIBIT B-1

RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:

Gibson, Dunn & Crutcher  
333 South Grand Avenue  
Los Angeles, California 90071-3197  
Attn: Lesley S. Wolf

MAIL TAX STATEMENTS TO:

Citadel Realty, Inc.

- - - - -  
- - - - -  
- - - - -  
Attn:  
- - - - -

(Space Above This Line For Use by Recorder)

GRANT DEED  
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FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, FIDELITY FEDERAL BANK, a Federal Savings Bank ("Grantor"), having its principal address at 600 North Brand Boulevard, Glendale, California, hereby grants to CITADEL REALTY, INC., a corporation organized under the laws of the State of Delaware ("Grantee"), the real property and improvements located in the unincorporated portion of Los Angeles County known as Sherman Oaks, State of California, more particularly described in Exhibit A attached hereto (the "Real Property").

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Such grant is subject to: taxes, both general and special, not yet delinquent; covenants, conditions and restrictions, rights of way, easements, and other matters of public record; and any leases and other matters, whether or not of record, existing as of the date hereof, that Grantee has separately agreed in writing to take title to the Real Property subject to.

The documentary transfer tax is \$ .

Assessor Parcel Number: .

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of \_\_\_\_\_, 199\_.

"Grantor"

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF CALIFORNIA )

) SS:

COUNTY OF LOS ANGELES )

On \_\_\_\_\_, before me, a Notary Public in and for said State, personally appeared \_\_\_\_\_ and \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_ (Seal)

Exhibit A

Legal Description Of Property

RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:

Gibson, Dunn & Crutcher  
333 South Grand Avenue  
Los Angeles, California 90071-3197  
Attn: Lesley S. Wolf

MAIL TAX STATEMENTS TO:

Citadel Realty, Inc.

- - - - -  
- - - - -  
- - - - -  
Attn: \_\_\_\_\_

\_\_\_\_\_  
(Space Above This Line For Use by Recorder)

GRANT DEED  
-----

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, FIDELITY FEDERAL BANK, a Federal Savings Bank ("Grantor"), having its principal address at 600 North Brand Boulevard, Glendale, California, hereby grants to CITADEL REALTY, INC., a corporation organized under the laws of the State of Delaware ("Grantee"), the real property and improvements located in the City of Glendale, County of Los Angeles, State of California, more particularly described in Exhibit A attached hereto (the "Real Property").

Such grant is subject to: taxes, both general and special, not yet delinquent; covenants, conditions and restrictions, rights of way, easements, and other matters of public record; and any leases and other matters, whether or not of record, existing as of the date hereof, that Grantee has separately agreed in writing to take title to the Real Property subject to.

The documentary transfer tax is \$ \_\_\_\_\_ .

Assessor Parcel Number: \_\_\_\_\_ .

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of \_\_\_\_\_, 199\_.

"Grantor"

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF CALIFORNIA )

) SS:

COUNTY OF LOS ANGELES )

On \_\_\_\_\_, before me, a Notary Public in and for said State, personally appeared \_\_\_\_\_ and \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_ (Seal)



Exhibit A

Legal Description Of Property

EXHIBIT C

FIRPTA AND CALIFORNIA REVENUE  
AND TAXATION CODE AFFIDAVIT

Section 1445 of the Internal Revenue Code of 1986, as amended (and the Income Tax Regulations promulgated thereunder) and California Revenue and Taxation Code Section 26131 provide that a transferee (buyer) of a United States real property interest must withhold tax if the transfer (seller) is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a United States real property interest by Fidelity Federal Bank, a Federal Savings Bank ("Seller"), the undersigned hereby certifies the following on behalf of Seller:

1. Seller is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Seller has a permanent place of business in California within the meaning of Section 26131(e)(1) of the California Revenue and Taxation Code.
3. Seller's United States employer identification number is \_\_\_\_\_; and
4. Seller's address is 600 N. Brand Boulevard, Glendale, California 91209.

Seller understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under the penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Seller.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_.

SELLER:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT D-1

ASSIGNMENT OF LEASES

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THIS ASSIGNMENT OF LEASES ("Assignment") is made as of the \_\_\_ day of \_\_\_\_\_, 199\_, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor") and Citadel Realty, Inc., a Delaware corporation ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has conveyed to Assignee certain real property and improvements located thereon, commonly known as 14455-75 Ventura Boulevard, Sherman Oaks, California, and more particularly described on Exhibit 1 hereto (the "Property").

B. It is a condition to the consummation of the transactions contemplated that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by -----  
reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, assign, convey, -----  
transfer, grant, set over and deliver to Assignee all of Assignor's right, title and interest in and to those certain leases more particularly described in Exhibit A attached hereto under the heading "Leases and Deposits" (the "Leases"), along with all security deposits in the possession of Seller with respect to the Leases and more particularly described in Exhibit A attached hereto under the heading "Leases and Deposits" (the "Deposits"), all covering portions of the Property.

3. Assumption. Assignee hereby accepts such assignment and assumes and -----  
agrees to perform all the terms, covenants and conditions of the Leases required to be performed by the landlord thereunder, from and after the date hereof but not prior thereto, including, without limitation, the obligation to repay in accordance with the terms of the Leases to the tenants thereunder any and all Deposits, provided, however, that Assignee shall have no greater personal liability under the Leases than Assignor had prior to this Assignment. Assignee hereby acknowledges receipt of such Deposits.

4. Indemnification. Assignee hereby indemnifies and holds Assignor -----  
harmless from and against any and all loss, cost, damages, expense (including reasonable attorneys' fees), liability, claims or causes of action existing in favor of or asserted by any tenant under the Leases arising out of or relating to Assignee's failure to perform any of its obligations as landlord under the Leases after the date hereof. Assignor hereby indemnifies and holds Assignee harmless from and against any and all loss, cost, damages, expense (including reasonable attorneys' fees), liability, claims or causes of action incurred by Assignee as a result of claims brought against Assignee, as Assignor's successor in interest under the Leases, arising from a breach or alleged breach by Assignor of the Leases and the obligations of the Assignor thereunder occurring prior to the date hereof while Assignor had title to the Property. The two (2) preceding sentences shall survive the closing of the transaction contemplated hereby.

5. Counterparts; Heading. This Agreement may be executed in two or more  
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counterparts, each of which shall be deemed an original, but all of which shall  
constitute one and the same instrument. The headings used in this Assignment are  
for purposes of convenience only and shall not be used in construing the  
provisions hereof.

6. Covenant Of Further Assurances. The parties hereto agree to execute  
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such other documents and perform such other acts as may be reasonably necessary  
or desirable to carry out the purposes of this Assignment.

7. Governing Law. This Assignment shall be governed by and construed in  
-----  
accordance with the laws of the State of California.

IN WITNESS WHEREOF, Assignee and Assignor have executed this Assignment of  
Leases as of the date written above.

ASSIGNOR:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ASSIGNEE:

CITADEL REALTY, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_



Exhibit 1  
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Legal Description

ASSIGNMENT OF LEASES

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THIS ASSIGNMENT OF LEASES ("Assignment") is made as of the \_\_\_ day of \_\_\_\_\_, 199\_, by and between Fidelity Federal Bank, a Federal Savings Bank ("Assignor") and Citadel Realty, Inc., a Delaware corporation ("Assignee").

A. Contemporaneously with the execution and delivery of this Assignment, Assignor has conveyed to Assignee certain real property and improvements located thereon, commonly known as 600 North Brand Boulevard, Glendale, California, and more particularly described on Exhibit 1 hereto (the "Property").

B. It is a condition to the consummation of the transactions contemplated that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by -----  
reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, assign, convey, -----  
transfer, grant, set over and deliver to Assignee all of Assignor's right, title and interest in and to those certain leases more particularly described in Exhibit A attached hereto under the heading "Leases and Deposits" (the "Leases"), along with all security deposits in the possession of Seller with respect to the Leases and more particularly described in Exhibit A attached hereto under the heading "Leases and Deposits" (the "Deposits"), all covering portions of the Property.

3. Assumption. Assignee hereby accepts such assignment and assumes and -----  
agrees to perform all the terms, covenants and conditions of the Leases required to be performed by the landlord thereunder, from and after the date hereof but not prior thereto, including, without limitation, the obligation to repay in accordance with the terms of the Leases to the tenants thereunder any and all Deposits, provided, however, that Assignee shall have no greater personal liability under the Leases than Assignor had prior to this Assignment. Assignee hereby acknowledges receipt of such Deposits.

4. Indemnification. Assignee hereby indemnifies and holds Assignor -----  
harmless from and against any and all loss, cost, damages, expense (including reasonable attorneys' fees), liability, claims or causes of action existing in favor of or asserted by any tenant under the Leases arising out of or relating to Assignee's failure to perform any of its obligations as landlord under the Leases after the date hereof. Assignor hereby indemnifies and holds Assignee harmless from and against any and all loss, cost, damages, expense (including reasonable attorneys' fees), liability, claims or causes of action incurred by Assignee as a result of claims brought against Assignee, as Assignor's successor in interest under the Leases, arising from a breach or alleged breach by Assignor of the Leases and the obligations of the Assignor thereunder occurring prior to the date hereof while Assignor had title to the Property. The two (2) preceding sentences shall survive the closing of the transaction contemplated hereby.

5. Counterparts; Heading. This Agreement may be executed in two or more  
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counterparts, each of which shall be deemed an original, but all of which shall  
constitute one and the same instrument. The headings used in this Assignment are  
for purposes of convenience only and shall not be used in construing the  
provisions hereof.

6. Covenant Of Further Assurances. The parties hereto agree to execute  
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such other documents and perform such other acts as may be reasonably necessary  
or desirable to carry out the purposes of this Assignment.

7. Governing Law. This Assignment shall be governed by and construed in  
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accordance with the laws of the State of California.

IN WITNESS WHEREOF, Assignee and Assignor have executed this Assignment of  
Leases as of the date written above.

ASSIGNOR:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ASSIGNEE:

CITADEL REALTY, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_





Exhibit 1  
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Legal Description

EXHIBIT E-1

BILL OF SALE

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For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Fidelity Federal Bank, a Federal Savings Bank ("Seller"), does hereby sell and deliver unto Citadel Realty, Inc., a Delaware corporation ("Buyer"), all of Seller's right, title and interest in all of the tools, equipment, supplies, inventory, fixtures and equipment not deemed or constituting realty, as well as all books and records, furniture, furnishings, and all other like items of personal property which as of the date hereof are located on or used exclusively in connection with the real property commonly known as 14455-75 Ventura Boulevard, Sherman Oaks, California, and more particularly described on Exhibit 1 attached hereto.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of this \_\_\_ day of \_\_\_\_\_, 199\_.

SELLER:

FIDELITY FEDERAL BANK,  
a Federal Savings Bank

By:

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Its:

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Exhibit 1  
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Legal Description

## STANDARD OFFICE LEASE -- GROSS

## AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

## 1. BASIC LEASE PROVISIONS ("Basic Lease Provisions")

1.1 PARTIES: This Lease, dated, for reference purposes only, July 7, 1994, is made by and between FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK (herein called "Lessor") and WHITE, ZUCKERMAN, WARSZAVSKY & LUNA, A CALIFORNIA GENERAL PARTNERSHIP doing business under the name of (herein called "Lessee").

1.2 PREMISES: Third floor, consisting of approximately 9,600 rentable square feet, more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the "Premises").

1.3 BUILDING: Commonly described as being located at 14455 Ventura Boulevard in the City of Los Angeles (Sherman Oaks), County of Los Angeles, State of California, as more particularly described in Exhibit "A" hereto, and as defined in paragraph 2.

1.4 USE: Offices for certified public accountancy firm, subject to paragraph 6.

1.5 TERM: Seven (7) years plus 11 days commencing September 20, 1994 ("Commencement Date") and ending September 30, 2001. See paragraph 50, as defined in paragraph 3.

1.6 BASE RENT: \$1.65 per BOMA rentable square foot per month, payable on the First day of each month, per paragraph 4.1 with the initial Base Rent to be \$15,840.00 per month. See paragraph 51.

1.7 BASE RENT INCREASE: On See paragraph 51, the monthly Base Rent payable under paragraph 1.6 above shall be adjusted as provided in paragraph 4.3 below.

1.8 RENT PAID UPON EXECUTION: See paragraph 51.

1.9 SECURITY DEPOSIT: See paragraph 52.

1.10 LESSEE'S SHARE OF OPERATING EXPENSE INCREASE: -0-% as defined in paragraph 4.2.

## 2. PREMISES, PARKING AND COMMON AREAS.

2.1 PREMISES: The Premises are a portion of a building, herein sometimes referred to as the "Building" identified in paragraph 1.3 of the Basic Lease Provisions. "Building" shall include adjacent parking structures used in connection therewith. The Premises, the Building, the Common Areas, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2 VEHICLE PARKING: So long as Lessee is not in default, and subject to the rules and regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use \* parking spaces in the Office Building Project. \* See paragraph 53.

2.2.1 If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.2.2 The monthly parking rate per parking space will be \$ -0- .

2.3 COMMON AREAS--DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Office Building Project that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and of other lessees of the Office Building Project and their respective employees, suppliers, shippers, customers and invitees, including but not limited to common entrances, lobbies, corridors, stairways and stairwells, public restrooms, elevators, escalators, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, ramps, driveways, landscaped areas and decorative walls.

2.4 COMMON AREAS--RULES AND REGULATIONS. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit B with respect to the Office Building Project and Common Areas, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees, their agents, employees and invitees of the Office Building Project.

2.5 COMMON AREAS--CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Building interior and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number, and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress,

egress, direction of traffic, decorative walls, landscaped areas and walkways; provided, however, Lessor shall at all times provide the parking facilities required by applicable law;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land and improvements outside the boundaries of the Office Building Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Office Building Project;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Office Building Project, or any portion thereof;

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Office Building Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

3. TERM.

3.1 TERM. The term and Commencement Date of this Lease shall be as specified in paragraph 1.5 of the Basic Lease Provisions.

3.2 DELAY IN POSSESSION. Notwithstanding said Commencement Date, if for any reason Lessor cannot deliver possession of the Premises to Lessee on said date and subject to paragraph 3.2.2. Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Lessee hereunder or extend the term hereof; but, in such case, Lessee shall not be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease, except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Lessee, as hereinafter defined; provided, however, that if Lessor shall not have delivered possession of the Premises within sixty (60) days following said Commencement Date, as the same may be extended under the terms of a Work Letter executed by Lessor and Lessee. Lessee may, at Lessee's

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option by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder, provided, however, that, as to Lessee's obligations, Lessee first reimburses Lessor for all costs incurred for Non-Standard Improvements and, as to Lessor's obligations, Lessor shall return any money previously deposited by Lessee (less any offsets due Lessor for Non-Standard Improvements) and provided further that if such written notice by Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect.

3.2.1 POSSESSION TENDERED--DEFINED. See Paragraph 54.

3.2.2 DELAYS CAUSED BY LESSEE. There shall be no abatement of rent, and the sixty (60) day period following the Commencement Date before which Lessee's right to cancel this Lease accrues under paragraph 3.2. shall be deemed extended to the extent of any delays caused by acts or omissions of Lessee, Lessee's agents, employees and contractors.

3.3 EARLY POSSESSION. If Lessee occupies the Premises prior to said Commencement Date, such occupancy shall be subject to all provisions of this Lease, such occupancy shall not change the termination date, and Lessee shall not pay rent for such occupancy.

3.4 UNCERTAIN COMMENCEMENT. In the event commencement of the Lease term is defined as the completion of the improvements, Lessee and Lessor shall execute an amendment to this Lease establishing the date of Tender of Possession (as defined in paragraph 3.2.1) or the actual taking of possession by Lessee, whichever first occurs, as the Commencement Date.

#### 4. RENT.

4.1 BASE RENT. Subject to adjustment as hereinafter provided in paragraph 4.3. and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Base Rent for the Premises set forth in paragraph 1.6 of the Basic Lease Provisions, without offset or deduction. Lessee shall pay Lessor upon execution hereof the advance Base Rent described in paragraph 1.6 of the Basic Lease Provisions. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

4.3 RENT INCREASE. See paragraph 51.

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5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the security deposit set forth in paragraph 19 of the Basic Lease Provisions as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. If the monthly Base Rent shall, from time to time, increase during the term of this Lease, Lessee shall, at the time of such increase, deposit with Lessor additional money as a security deposit so, that the total amount of the security deposit held by Lessor shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial Base Rent set forth in paragraph 1.6 of the Basic Lease Provisions. Lessor shall not be required to keep said security deposit separate from its general accounts. If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit. See paragraph 52.

6. USE.

6.1 USE. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.4 of the Basic Lease Provisions or any other use which is permitted under applicable zoning laws, and is reasonably comparable to that use and for no other purpose.

6.2 COMPLIANCE WITH LAW.

(a) Lessor warrants to Lessee that the Premises, in the state existing on the date that the Lease term commences, but without regard to alterations or improvements made by Lessee or the use for which Lessee will occupy the Premises, does not violate any covenants or restrictions of record, or any applicable building code, regulation or ordinance in effect on such Lease term Commencement Date. In the event it is determined that this warranty has been violated, then it shall be the obligation of the Lessor, after written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation.

(b) Except as provided in paragraph 6.2(a) Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Office Building Project.

6.3 CONDITION OF PREMISES. See paragraph 55. and Exhibit "C"

(a) Lessor shall deliver the Premises to Lessee in a clean condition on the Lease Commencement Date (unless Lessee is already in possession) and Lessor warrants to Lessee that the plumbing, lighting, air conditioning, and heating system in the Premises shall be in good operating condition. In the event that it is determined that this warranty has been violated, then it shall be the obligation of Lessor, after receipt of written notice from Lessee setting forth with specificity the nature of the violation, to promptly, at Lessor's sole cost, rectify such violation.

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that the Premises are suitable for its intended use, and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas or Office Building Project for the conduct of Lessee's business.

7. MAINTENANCE, REPAIRS, ALTERATIONS AND COMMON AREA SERVICES.

7.1 LESSOR'S OBLIGATIONS. Lessor shall keep the Office Building Project, including the Premises, interior and exterior walls, roof, and common areas, and the equipment whether used exclusively for the Premises or in common with other premises, in good condition and repair; provided, however, Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Building or are above then Building standards. Except as provided in paragraph 9.5 there shall be no apportionment of rent or liability of Lessee on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Office Building Project or any part thereof. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the



Premises in good order, condition and repair.

7.2 LESSEE'S OBLIGATIONS.

(a) Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing, or replacing wall coverings, and to repair or replace any Premises improvements that are not ordinarily a part of the Building or that are above then Building standards. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

(b) On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as received, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall panelling, ceilings and plumbing on the Premises and in good operating condition.

7.3 ALTERATIONS AND ADDITIONS. See paragraph 56.

(a) Lessee shall not, without Lessor's prior written consent, which shall not be unreasonably withheld, make any alterations, improvements, additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term, Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor, as has been expressly approved by Lessor, and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions or Utility Installations without prior approval of Lessor, or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee requiring a permit to do so from the applicable governmental agencies, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Office Building Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself or Lessor against the same and shall pay and satisfy

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any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, the Building or the Office Building Project upon the condition that if the Lessor shall require, Lessee shall furnish to Lessor surety bond satisfactory to Lessor in an amount equal to but such contested lien, claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys' fees and costs of participating in such action if Lessor shall decide it, is to Lessor's best interest to do so.

(e) All alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Lessee) which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation and lighting and telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the Lease term, unless Lessor requires their removal pursuant to paragraph 7.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 7.3(e). Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2.

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility installations.

7.4 UTILITY ADDITIONS. Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.

#### 8. INSURANCE: INDEMNITY.

8.1 LIABILITY INSURANCE--LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this lease a policy of Comprehensive General Liability insurance utilizing an Insurance Services Office standard form with Broad Form General Liability Endorsement (GL0404), or equivalent, in an amount of not less than \$1,000,000 per occurrence of bodily injury and property damage combined or in a greater amount as reasonably determined by Lessor and shall insure Lessee with Lessor as an additional insured against liability arising out of the use, occupancy or maintenance of the Premises. Compliance with the above requirement shall not, however, limit the liability of Lessee hereunder.

8.2 LIABILITY INSURANCE--LESSOR. Lessor shall obtain and keep in force during the term of this Lease a policy of Combined Single Limit Bodily Injury and Broad Form Property Damage Insurance, plus coverage against such other risks Lessor deems advisable from time to time, insuring Lessor, but not Lessee, against liability arising out of the ownership, use, occupancy or maintenance of the Office Building Project in an amount not less than \$5,000,000.00 per occurrence.

8.3 PROPERTY INSURANCE--LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, replacement cost fire and extended coverage insurance, with vandalism and malicious mischief, earthquake and earthquake sprinkler leakage endorsements, in an amount sufficient to cover not less than 100% of the full replacement cost, as the same may exist from time to time, of all of Lessee's improvements.\*

8.4 PROPERTY INSURANCE--LESSOR. Lessor shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Office Building Project improvements, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Office Building Project. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these paragraphs 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. In the event that the Premises shall suffer an insured loss as defined in paragraph 9.1(f) hereof, the deductible amounts under the applicable insurance policies shall be deemed an Operating Expense. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Office Building Project over what it was immediately prior to the commencement of the term of this lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee.

8.5 INSURANCE POLICIES. Lessee shall deliver to Lessor copies of liability insurance policies required under paragraph 8.1 or certificates evidencing the existence and amounts of such insurance within seven (7) days after the Commencement Date of this Lease. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with renewals thereof.

8.6 WAIVER OF SUBROGATION. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other,

for direct or consequential loss or damage arising out of or incidental to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

\* 8.7 INDEMNITY. Lessee shall indemnify and hold harmless Lessor and its agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims for damage to the person or property of anyone or any entity arising from Lessee's use of the Office Building Project, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims, costs and expenses arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, employees, or invitees, and from and against all costs, attorney's fees, expenses and liabilities incurred by Lessor as the result of any such use, conduct, activity, work, things done, permitted or suffered, breach, default or negligence, and in dealing reasonably therewith, including but not limited to the defense or pursuit of any claim or any action or proceeding involved therein; and in case any action or proceeding be brought against Lessor by reason of any such matter, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon or about the Office Building Project arising from any cause or Lessee hereby waives all claims in respect thereof against Lessor.

\* 8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Office Building Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Office Building Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Office Building Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Office Building Project, nor from the failure of Lessor to enforce the provisions of any other lease of any other lessee of the Office Building Project.

8.9 NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified in this paragraph 8 are adequate to cover Lessee's property or obligations under this Lease.

## 9. DAMAGE OR DESTRUCTION.

### 9.1 DEFINITIONS.

(a) "Premises Damage" shall mean if the Premises are damaged or destroyed to any extent.

(b) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent (50%) of the then Replacement Cost of the Building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%) or more of the then Replacement Cost of the Building.

(d) "Office Building Project Buildings" shall mean all of the buildings on the Office Building Project site.

(e) "Office Building Project Buildings Total Destruction" shall mean if the Office Building Project Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent (50%) or more of the then Replacement Cost of the Office Building Project Buildings.

(f) "Insured Loss" shall mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 8. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(g) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring, excluding all improvements made by lessees, other than those installed by Lessor at Lessee's expense.

However, said insurance coverage may contain standard insurance deductibles of up to ten (10%) percent of the coverage limits.

\*See paragraph 57.

Initials: \_\_\_\_\_  
\_\_\_\_\_

#### 9.2 PREMISES DAMAGE; PREMISES BUILDING PARTIAL DAMAGE.

(a) Insured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of either Premises Damage or Premises Building Partial Damage, then Lessor shall, as soon as reasonably possible and to the extent the required materials and labor are readily available through usual commercial channels, at Lessor's expense repair such damage (but not Lessee's fixtures, equipment or tenant improvements originally paid for by Lessee) to its condition existing at the time of the damage, and this Lease shall continue in full force and effect.

(b) Uninsured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is not Insured Loss and which falls within the classification of Premises Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense) which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

9.3 PREMISES BUILDING TOTAL DESTRUCTION; OFFICE BUILDING PROJECT TOTAL DESTRUCTION. Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage, whether or not it is an Insured Loss, which falls into the classifications of either (i) Premises Building Total Destruction, or (ii) Office Building Project Total Destruction, then Lessor may at Lessor's option either (i) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements, and that Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage.

#### 9.4 DAMAGE NEAR END OF TERM.

(a) Subject to paragraph 9.4(b), if at any time during the last twelve (12) months of the term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than twenty (20) days after the occurrence of an Insured Loss falling within the classification of Premises Damage during the last twelve (12) months of the term of this Lease. If Lessee duly exercises such option during said twenty (20) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said twenty (20) day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said twenty (20) day period by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of said twenty (20) day period, notwithstanding any term or provision in the grant of option to the contrary.

#### 9.5 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) In the event Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 9, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder (including Lessee's Share of Operating Expense Increase) for the period during which such damage, repair or restoration continues shall be abated, provided (1) the damage was not the result of the negligence of Lessee, and (2) such abatement shall only be to the extent the operation and profitability of Lessee's business as operated from the Premises is adversely affected. Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damages suffered by reason of any such damage, destruction, repair or restoration., \*

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this Paragraph 9 and shall not commence such repair or restoration within ninety (90) days after such occurrence, or if Lessor shall not complete the restoration and repair within six (6) months after such occurrence, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion, respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specifications required.

9.6. TERMINATION--ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not therefore been applied by Lessor.

9.7 WAIVER. Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the real property tax, as defined in paragraph 10.3, applicable to the Office Building Project subject to reimbursement by Lessee of Lessee's Share of such taxes in accordance with the provisions of paragraph 10.2.

10.2 ADDITIONAL IMPROVEMENTS. Lessee shall not be responsible for paying any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Office Building Project by other lessees or by Lessor for the exclusive enjoyment of any other lessee. Lessee shall, however, pay to Lessor within ten (10) days after Lessor's request, the entirety of any increase in real property tax if assessed solely by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request., \*\*

10.3 DEFINITION OF "REAL PROPERTY TAX." As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Office Building Project or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Office Building Project or in any portion thereof, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Office Building Project. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinbefore included within the definition of "real property tax," or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a change in ownership, as defined by applicable local statutes for property tax purposes, of the Office Building Project or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such change of ownership, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

10.4 JOINT ASSESSMENT. If the improvements or property, the taxes for which are to be paid separately by Lessee under paragraph 10.2 or 10.5 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 PERSONAL PROPERTY TAXES.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES.

11.1 SERVICES PROVIDED BY LESSOR. Lessor shall provide heating, ventilation, air conditioning, and janitorial service as reasonably required, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures.

11.2 SERVICES EXCLUSIVE TO LESSEE. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If any such services are not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises in the Building.

11.3 HOURS OF SERVICE. Said services and utilities shall be provided during generally accepted business days and hours or such other days or hours as may hereafter be set forth. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof. See Paragraph 58.

With the exception that following Lessee's later reoccupation of the Premises, Lessee shall be entitled to receive the last month of the lease term rent-free, which shall occur following the installation of Lessee's initial improvements, as described in Exhibit "C".

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11.4 EXCESS USAGE BY LESSEE. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security services, over standard office usage for the Office Building Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 INTERRUPTIONS. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

## 12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED. Lessee shall not voluntarily or by operation of law assign, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises without Lessor's prior written consent which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 13.1.

12.2 LESSEE AFFILIATE. Notwithstanding the provisions of paragraph 12.1 hereof, Lessee may assign or sublet the Premises, or any portion thereof, without Lessor's consent, to any corporation which controls, is controlled by or is under common control with Lessee, or to any corporation resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all the assets of Lessee as a going concern of the business that is being conducted on the Premises, all of which are referred to as "Lessee Affiliate"; provided that before such assignment shall be effective, (a) said assignee shall assume, in full, the obligations of Lessee under this Lease and (b) Lessor shall be given written notice of such assignment and assumption. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Lessee, the consent of whom shall not be necessary.

## 12.3 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the rent and other sums due Lessor hereunder including Lessee's Share of Operating Expense Increase, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 or this Lease.

(d) If Lessee's obligations under this Lease have been guaranteed by third parties, then an assignment or sublease, and Lessor's consent thereto shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(e) The consent by Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessee under this Lease or such sublease.

(f) In the event of any default under this Lease, Lessor may proceed directly against Lessee, any guarantors or any one else responsible for the performance of this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee, in accordance with California law.

(g) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgement that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

(h) The discovery of the fact that any financial statement relied upon by Lessor in giving its consent to an assignment or subletting was materially false shall, at Lessor's election, render Lessor's said consent null and void.

12.4 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessee shall have the right to rely upon any such statement and request from Lessor and that such sublessee shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or Lessor for any such rents so paid by said sublessee to Lessor.

(b) No sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. In entering into any sublease, Lessee shall use only such form of sublessee as is satisfactory to Lessor, and once approved by Lessor, such sublease shall not be changed or modified without Lessor's prior written consent. Any sublease shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessee has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease.

(d) No sublease shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) With respect to any subletting to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to the sublessee. Such sublessee shall have the right to cure a default of Lessee within three (3) days after service of said notice of default upon such sublessee, and the sublessee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by the sublessee.

12.5 LESSOR'S EXPENSES. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable costs and expenses incurred in connection therewith, including attorneys', architects', engineers' or other consultants' fees.

12.6 CONDITIONS TO CONSENT. Lessor reserves the right to condition any approval to assign or sublet upon Lessor's determination that (a) the proposed assignee or sublessee shall conduct a business on the Premises of a quality substantially equal to that of Lessee and consistent with the general character of the other occupants of the Office Building Project and not in violation of any exclusives or rights then held by other tenants, and (b) the proposed assignee or sublessee be at least as financially responsible as Lessee was expected to be at the time of the execution of this Lease or of such assignment or subletting, whichever is greater.

12.7 See paragraph 59.

### 13. DEFAULT; REMEDIES.

13.1 DEFAULT. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee;

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of sixty (60) days or more, whether or not the rent is paid.

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 7.3(a), (b) or (d) (alterations), 12.1 (assignment or subletting), 13.1(a) (vacation or abandonment), 13.1(e) (insolvency), 13.1(f) (false statement), 16(a) (estoppel certificate), 30(b) (subordination), 33 (auctions), or 41.1 (easements), all of which are hereby deemed to be material, non-curable defaults without the necessity of any notice by Lessor to Lessee thereof.

(c) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.



(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors: (ii) Lessee becoming a "debtor" as defined in 11 USC (§)101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days: or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

13.2 REMEDIES. In the event of any material default or breach of this Lease by Lessee, Lessor may at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default, in accordance with California law.

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled, to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided; that portion of the leasing commission paid by Lessor pursuant to paragraph 15 applicable to the unexpired term of this Lease.

(b) Maintain Lessee's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have vacated or abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

13.3 DEFAULT BY LESSOR. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expense Increase or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, Operating Expense Increase, or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 6% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

14. CONDEMNATION. If the Premises or any portion thereof or the Office Building Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence

of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expense Increase shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value for the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. BROKER'S FEE. THERE ARE NO REAL ESTATE BROKERS IN THIS TRANSACTION.

16. ESTOPPEL CERTIFICATE.

(a) Each party (as "responding party") shall at any time upon not less than twenty (20) days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date

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to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Office Building Project or of the business of Lessee.

At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond without any further notice to such party or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, and (iii) if the Lessor is the requesting party, not more than one month's rent has been paid in advance.

If Lessor desires to finance, refinance, or sell the Office Building Project, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such financial statements of Lessee as may be reasonably required by such lender or purchaser. Such statements shall include the past three (3) years financial statements of Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a lessee's interest in a ground lease of the Office Building Project, and except as expressly provided in paragraph 15, in the event of any transfer of such title or interest. Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. SEVERABILITY. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law or judgments from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease, provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

20. TIME OF ESSENCE. Time is of the essence with respect to the obligations to be performed under this Lease.

21. ADDITIONAL RENT. All monetary obligations of Lessee to Lessor under the terms of this Lease and any other expenses payable by Lessee hereunder shall be deemed to be rent.

22. INCORPORATION OF PRIOR AGREEMENTS; AMENDMENTS. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the real estate broker listed in paragraph 15 hereof nor any cooperating broker on this transaction nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Office Building Project and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of the Lease.

23. NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail, and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. Mailed notices shall be deemed given upon actual receipt at the address required, or forty-eight hours following deposit in the mail, postage prepaid, whichever first occurs. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notice required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee. See paragraph 60.

24. WAIVERS. No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes, subject to Lessor's approval of form and content.

26. HOLDING OVER. If Lessee, with Lessor's consent, remains in possession of the

Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that the rent payable shall be two hundred percent (200%) of the rent payable immediately preceding the termination date of this Lease, and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

29. BINDING EFFECT; CHOICE OF LAW. Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State where the Office Building Project is located and any litigation concerning this Lease between the parties hereto shall be initiated in the county in which the Office Building Project is located.

30. SUBORDINATION.

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within ten (10) days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee or, at Lessor's option, Lessor shall execute such documents on behalf of Lessee as Lessee's attorney-in-fact. Lessee does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to execute such documents in accordance with this paragraph 30(b).

31. ATTORNEYS' FEES.

31.1 If either party or the broker(s) named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment. The provisions of this paragraph shall inure to the benefit of the broker named herein who seeks to enforce a right hereunder.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.

31.3 Lessor shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notice of default and consultation in connection therewith, whether or not a legal transaction is subsequently commenced in connection with such default.

32. LESSOR'S ACCESS.

32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs.

32.2 All activity of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

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32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and sales, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forceable or unlawful entry or detainer of the Premises or an eviction, Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent. The holding of any auction on the Premises or Common Areas in violation of this paragraph shall constitute a material default of this Lease.

34. SIGNS. Lessee shall not place any sign upon the Premises or the Office Building Project without Lessor's prior written consent. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project. See paragraph 61.

35. MERGER. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any of all of such subtenancies,

36. CONSENTS. Except for paragraphs 33 (auctions) and 34 (signs) hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

37. GUARANTOR. In the event that there is a guarantor of this Lease, said guarantor shall have the right the same obligations as Lessee under this Lease.

38. QUIET POSSESSION. Under Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

39. OPTIONS. See Exhibit "D" entitled Agreement

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40. SECURITY MEASURES--LESSOR'S RESERVATIONS.

40.1 Lessee hereby acknowledges that Lessor shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Office Building Project. Lessee assumes all responsibility for the protection of Lessee, its agents, and invitees and the property of Lessee and of Lessee's agents and invitees from acts of third parties. Nothing herein contained shall prevent Lessor, at Lessor's sole option from providing security protection for the Office Building Project or any part thereof. See paragraph 62.

40.2 Lessor shall have the following rights:

(a) To change the name, address or title of the Office Building Project or building in which the Premises are located upon not less than 90 days prior written notice;

(b) To, at Lessee's expense, provide and install Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate;

(c) To permit any lessee the exclusive right to conduct any business as long as such exclusive does not conflict with any rights expressly given herein;

(d) To place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Office Building Project or on pole signs in the Common Areas;

40.3 Lessee shall not:

(a) Use a representation (photographic or otherwise) of the Building or the Office Building Project or their name(s) in connection with Lessee's business;

(b) Suffer or permit anyone, except in emergency, to go upon the roof of the Building.

41. EASEMENTS.

41.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material default of this Lease by Lessee without the need for further notice to Lessee.

41.2 The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

42. PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

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43. AUTHORITY. If Lessee is a corporation trust or general or limited partnership, Lessee, and each individual executing this Lease on behalf of such entity represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity. If Lessee is a corporation, trust or partnership, Lessee shall within thirty (30) days after execution of this Lease, deliver to Lessor evidence of such authority satisfactory to Lessor.

44. CONFLICT. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the typewritten or handwritten provisions, if any, shall be controlled by the typewritten or handwritten provisions.

45. NO OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

46. LENDER MODIFICATION. Lessee agrees to make such reasonable modifications to this Lease as may be reasonably required by an institutional lender in connection with the obtaining of normal financing or refinancing of the Office Building Project.

47. MULTIPLE PARTIES. If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein, the obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.

48. WORK LETTER. This Lease is supplemented by that certain Work Letter of even date executed by Lessor and Lessee, attached hereto as Exhibit C, and incorporated herein by this reference.

49. ATTACHMENTS. Attached hereto are the following documents which constitute a part of this Lease:

SEE ATTACHED ADDENDUM TO LEASE AGREEMENT DATED JULY 7, 1994  
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LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

LESSOR

LESSEE

FIDELITY FEDERAL BANK,  
A FEDERAL SAVINGS BANK

WHITE, ZUCKERMAN, WARSAVSKY & LUNA,  
A CALIFORNIA GENERAL PARTNERSHIP

By /s/ GODFREY B EVANS  
-----  
Its Executive Vice President  
-----

/s/ PAUL WHITE  
-----  
Paul White

By \_\_\_\_\_  
Its \_\_\_\_\_

/s/ JACK ZUCKERMAN  
-----  
Jack Zuckerman

/s/ FRED WARSAVSKY  
-----  
Fred Warsavsky

/s/ BARBARA LUNA  
-----  
Barbara Luna

Executed at \_\_\_\_\_  
on \_\_\_\_\_  
Address \_\_\_\_\_

Executed at \_\_\_\_\_  
on \_\_\_\_\_  
Address \_\_\_\_\_

1984 American Industrial Real Estate Association FULL SERVICE -- GROSS

For these forms write or call the American Industrial Real Estate Association  
350 South Figueroa Street, Suite 275, Los Angeles, CA 90071 (213) 687-8777

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ADDENDUM TO LEASE AGREEMENT DATED JULY 7, 1994  
BETWEEN FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK ("LESSOR"),  
AND WHITE, ZUCKERMAN, WARSAVSKY & LUNA,  
A CALIFORNIA GENERAL PARTNER ("LESSEE")

50. Lessee's existing lease with Lessor, identified as that STANDARD OFFICE LEASE-GROSS, as amended, dated January 10, 1992 between Fidelity Federal Bank, A Federal Savings Bank (Lessor) and White, Zuckerman and Warsawsky, Inc., Certified Public Accountants (Lessee), pertaining to those premises currently leased by Lessee in Lessor's building at 14455 Ventura Boulevard, Sherman Oaks, California, shall terminate concurrently with the Commencement Date of this new Lease.

51. Commencing on the forty-third (43rd) month of the lease term, the Base Rent shall increase to \$1.85 per rentable square foot, for a total Base Rent of \$17,760.00 per month.

Rent Concession: Lessee shall receive rent-free the first (1st) thru seventh (7th) months of the lease term. Therefore, no advance payment of Base Rent shall be due upon execution of this Lease.

52. Lessee's total required Security Deposit shall be \$9,050.25, which is equivalent to the amount of the Security Deposit in its existing lease. Upon the Commencement Date of this new Lease, this \$9,050.25 amount shall be credited to the Security Deposit requirement of the new Lease.

Also, within fifteen (15) days following the execution of this Lease, Lessee agrees to deliver to Lessor a Letter of Credit ("LOC") in the amount of \$252,000.00, naming Lessor as the designated beneficiary. The LOC shall be obtained from a federally-insured commercial bank which is in regulatory capital compliance, such as Wells Fargo Bank, Bank of America or the like. The LOC shall be required for the first three (3) years of the Lease term. Lessee shall pay directly to the issuer of the LOC all costs in connection therewith; however, Lessor agrees to reimburse Lessee the cost of the LOC for years two and three of the Lease term. The form, content and cost of the LOC shall be subject to Lessor's prior written approval. Lessor's right to withdraw any and all funds of the LOC shall apply to any payment of rent or any other payment required to be made by Lessee pursuant to the Lease, which is delinquent and has not been paid for a period of three (3) days after written notice from Lessor to Lessee, as provided for in paragraph 13.1 (c) of the Lease.

53. Lessee shall receive six (6) reserved and sixteen (16) non-reserved spaces for employee parking along the rear perimeter wall of the Office Building Project parking lot at no charge. Lessor agrees to also provide at no charge to Lessee, visitor parking subject to availability, as solely determined by Lessor.

54. The following language shall replace the language in paragraph 3.2.1 of the Lease that has been deleted:

"Possession of the Premises shall be deemed tendered to Lessee ('Tender of Possession') on the twentieth (20th) day of the calendar month immediately following the month when (1) the improvements to be provided by Lessor under this Lease are substantially completed, (2) the Building utilities are ready for use in the Premises, (3) Lessee has reasonable access to the Premises, (4) the Department of Building and Safety has approved occupancy of the Premises, and (5) ten (10) days shall have expired following advance written notice to Lessee of the matters described in (1), (2), (3) and (4) above of this paragraph 3.2.1."

55. Lessor agrees that prior to Lessee's occupancy of the leased Premises, Lessor is to inspect and make any necessary repairs to prevent water leaks from the roof of the Building. In addition, Lessor shall install key-activated locking mechanisms in

the two elevators. These items shall be completed at Lessor's expense.

56. Notwithstanding paragraphs 7.3 (a) thru (f) of the Lease, Lessee may install some communication device between the ground floor (outside the Building) and the leased Premises for after-hours use, to be installed at Lessee's expense, and subject to Lessor's prior written approval.

Also, Lessee shall comply with all applicable requirements of the Americans With Disabilities Act ("ADA") as pertains to the leased Premises, including the elevator lobby area and restrooms which are considered a part thereof, following completion of Lessee's initial tenant improvements. In addition, Lessee shall ensure that "live" floor loads are not exceeded by the installation of Lessee's construction improvements, furniture, fixtures, equipment and other personal property.

57. Notwithstanding anything to the contrary contained in paragraphs 8.7 and 8.8 of the Lease, Lessee shall not indemnify Lessor from any loss, liability or expense as to which a cause was gross negligence or wilful misconduct on the part of Lessor.

58. Lessor shall have water, gas and power (electricity) available on a 24-hours a day, seven days a week basis for normal office purposes including but not limited to use of duplicating machines, computers, mini-computer terminals, telecopy machines, telexes, communication, audio/visual equipment, and other uses that may require separate circuits.

Lessor, at Lessor's expense, shall provide heating, ventilating and air conditioning to the leased Premises only on the following business days and hours :

Monday thru Friday- 8:00 a.m. to 7:00 p.m.  
Saturday- 8:00 a.m. to 1:00 p.m.

After-hours cost for these services shall be at Lessee's expense. However, such cost shall be reduced to the extent that any other lessee uses these services after-hours, with these cost to be prorated, and Lessee shall be charged only for its share of Lessor's actual cost, with no profit to Lessor.

Lessor, at Lessor's expense, shall provide standard janitorial services, as reasonably determined by Lessor, five days per week (Monday thru Friday), excluding legal holidays recognized by Lessor. Lessee shall provide Lessor with a secured area on the Premises for the storage of janitorial supplies provided by Lessor.

59. Paragraph 12.7-Lessor agrees to convey to Lessee in writing its approval or reasonable disapproval of any Assignment or Subletting, no more than twenty (20) business days following receipt of Lessee's written request, along with any additional information and/or documentation as reasonably requested by Lessor .

Further, Lessee agrees not to assign or sublet space to a bank, savings and loan association, thrift and loan association, or any real estate mortgage lending or finance company.

60. Pursuant to paragraph 23. of the Lease, all rent payments, notices and any other related correspondence are to be addressed to:

FIDELITY FEDERAL BANK  
600 N. Brand Boulevard  
P.O. Box 1631  
Glendale, California 91203  
Attn: Corporate Properties Department

Also, a copy of all notices pertaining to termination of tenancy, assignment, subletting, or any matters which may give rise to a dispute between the parties, shall also be addressed to:

FIDELITY FEDERAL BANK  
600 N. Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attn: Legal Department

61. Lessee, at Lessee's expense, shall be allowed to place appropriate signage in the elevator lobby area of the leased Premises. Lessee may not have any exterior signage on or about the Building and Common Areas. However, Lessor shall provide Lessee two spaces on the Building Lobby Directory Board for each 1,000 rentable square feet leased by Lessee. Directory strips shall be provided at Lessee's expense, but only at Lessor's actual cost.
62. Notwithstanding anything to the contrary in paragraphs 2.4, 40.1 and Exhibit "B" of the Lease, Lessee shall be issued electronic card key access cards to the Building lobby entrance, for employee access 24 hours a day, as approved in writing in advance by Lessor and Lessee. In addition, Lessee shall have access to the parking lot 24 hours a day, provided Lessee cooperates with Lessor's efforts to keep the lot closed after-hours to non-invitees.
63. EXPANSION SPACE--During the term of this Lease, Lessee shall have the -----  
right of first refusal to lease any space that becomes available on the second floor of the building, provided the space is not needed for use by Lessor, or any subsidiary or affiliate of Lessor. Said Expansion Space shall be offered to Lessee on the following basis:
- (a) Lessee shall have fifteen (15) days following Lessee's receipt of Lessor's written notification that the Expansion Space is, or will be, available, in order to notify Lessor in writing of its intent to lease the Expansion Space. The lease term on the Expansion Space shall commence no later than thirty (30) days thereafter, and shall run concurrent with the remainder of the term on Lessee's third floor space.
- (b) The monthly Base Rent for the Expansion Space shall be equivalent to the then-current per square foot rate of Lessee's third floor space, and shall be subject to the same future rent increase as set forth in paragraphs 1.7 and 51. of this Lease. Also, Lessee shall increase its Security Deposit by an amount equal to the monthly Base Rent of the Expansion Space.
- (c) Lessee shall be entitled to two (2) additional unreserved spaces for employee parking for each additional 1,000 square feet leased, subject to proration as determined by Lessor, and in accordance with the applicable provisions of this Lease. However, in the event that Lessor determines that said additional parking spaces cannot be made available to Lessee, then the monthly Base Rent on the Expansion Space shall be reduced by \$50.00 for each parking spaces not received by Lessee.
- (d) Lessee shall accept the Expansion Space in its "As Is" condition, and shall be responsible for the expense and installation of its desired improvements. However, Lessee shall receive the following rent concessions on the Expansion Space:
- (1) One month free rent for every 12 months of the lease term on the Expansion Space, subject to proration as determined by Lessor; and
- (2) An Improvements Allowance of \$.31 per square foot of Expansion Space leased times the number of months during which the space shall be leased by Lessee. For example, if Lessee leased 1,000 square feet for a period of 48 months, then the Improvements Allowance would amount to \$14,880.00.
- (e) At such time as Lessee adds any such Expansion Space, Lessor and Lessee

-----  
July 7, 1994

Page 4 of 4 pages

shall execute an amendment, prior to Lessee taking possession of the Expansion Space, which sets forth the above-referenced terms and conditions.

64. CONSUMMATION OF THIS LEASE IS SUBJECT TO LESSEE'S EXECUTION OF THE ENCLOSED "RELEASE", ATTACHED HERETO AS EXHIBIT "E".

-----

STANDARD OFFICE LEASE

FLOOR PLAN

[insert drawing here]

EXHIBIT A

Initials: \_\_\_\_\_  
\_\_\_\_\_

FULL SERVICE--GROSS

RULES AND REGULATIONS FOR  
STANDARD OFFICE LEASE

Dated July 7, 1994

-----  
By and Between Fidelity Federal Bank, a Federal Savings Bank (Lessor) and White,  
-----  
Zuckerman, Warsavsky & Luna, a California General Partnership  
-----  
(Lessee)  
-----

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Office Building Project.
4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the premises or Office Building Project.
9. Lessee shall not suffer or permit any thing in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. Lessor reserves the right to close and lock the Building\* on Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 P.M. and 7:00 A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry. \*Lobby doors and parking lot
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee, without Lessor's prior written consent, which shall not be unreasonably withheld.
15. No Lessee, employee or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation.\*\*
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and

regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."

2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.

4. Lessor reserves the right to refuse parking to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.

5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite location(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.

6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.

8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.

9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.

10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.

11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.

12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

Initials: \_\_\_\_\_  
\_\_\_\_\_

FULL SERVICE -- GROSS

EXHIBIT B

PAGE 1 OF 1 PAGES

\*\*Microwave oven, refrigerator, coffeemaker and vending machines acceptable for employee use only. Under no circumstances may food be

WORK LETTER TO STANDARD OFFICE LEASE

Dated July 7, 1994

By and Between Fidelity Federal Bank, a Federal Savings Bank (Lessor) and White, Zuckerman, Warsavsky & Luna, a California General Partnership (Lessee)

The Premises shall be constructed in accordance with Lessor's Standard Improvements as follows:

- 1. PARTITIONS
2. WALL SURFACES Nos. 1 thru 12.

To be determined in writing between Lessor and Lessee within the time constraints as set forth in the following paragraph 14. However, Lessor's financial contribution towards these Improvements shall not exceed \$26.25 per rentable square foot, for a total of approximately \$252,000.00, which shall include the cost of design fees, plans, permits, construction and finishes. Lessor may also re-use some of Lessee's existing second floor improvements, including but not limited to light fixtures and doors.

- 3. DRAPERIES
4. CARPETING
5. DOORS
6. ELECTRICAL AND TELEPHONE OUTLETS
7. CEILING
8. LIGHTING
9. HEATING AND AIR CONDITIONING DUCTS
10. SOUND PROOFING
11. PLUMBING

FULL SERVICE--GROSS Initials:\_\_\_\_\_

EXHIBIT C



12. ENTRANCE DOORS.

13. COMPLETION OF IMPROVEMENTS

Lessor shall construct and complete improvements to the Premises in accordance with the plans and specifications prepared by Ridgeway & Associates, dated March 8, 1994, consisting of sheets one sheet, (the "Improvements"), which was approved in writing by Lessee on March 25, 1994.

14. PREPARATION OF PLANS AND SPECIFICATIONS

Within seven days after the date of this Lease Lessor shall prepare at its cost and deliver to Lessee for its approval two copies of preliminary plans and specifications for the completion of the Improvements, which plans and specifications shall itemize the work to be done by each party, including a cost estimate of any work required of Lessor in excess of Lessor's Standard Improvements. Lessee shall approve said preliminary plans and specifications and preliminary cost estimate or specify with particularity its objection thereto within two days following receipt thereof. Failure to so approve or disapprove

within said period of time shall constitute approval thereof. If Lessee shall reject said preliminary plans and specifications either partially or totally, and they cannot in good faith be modified within ten (10) days after such rejection to be acceptable to Lessor and Lessee, this Lease shall terminate and neither party shall thereafter be obligated to the other party for any reason whatsoever having to do with this Lease, except that Lessee shall be refunded any security deposit or prepaid rent. The plans and specifications, when approved by Lessee, shall supersede any prior agreement concerning the Improvements.

15. CONSTRUCTION

If Lessor's cost of constructing the Improvements to the Premises exceeds the cost of Lessor's Standard Improvements, Lessee shall pay to Lessor in cash before the commencement of such construction a sum equal to such excess.

If the final plans and specifications are approved by Lessor and Lessee, and Lessee pays Lessor for such excess, then Lessor shall, at its sole cost and expense, construct the Improvements in accordance with said approved final plans and specifications and all applicable rules, regulations, laws or ordinances.

16. COMPLETION

16.1 Lessor shall obtain a building permit to construct the Improvements as soon as possible.

16.2 Lessor shall complete the construction of the Improvements as soon as reasonably possible after the obtaining of necessary building permits.

16.3 The term "Completion," as used in this Work Letter, is hereby defined to mean the date the building department of the municipality having jurisdiction of the Premises shall have made a final inspection of the Improvements and authorized a final release of restrictions on the use of public utilities in connection therewith and the same are in a broom-clean condition.

16.4 Lessor shall use its best efforts to achieve Completion of the Improvements on or before the Commencement Date set forth in paragraph 1.5 of the Basic Lease Provisions.

16.5 In the event that the Improvements or any portion thereof have not reached Completion by the Commencement Date, this Lease shall not be invalid, but rather Lessor shall complete the same as soon thereafter as is possible and Lessor shall not be liable to Lessee for damages in any respect whatsoever.

16.6 If Lessor shall be delayed at any time in the progress of the construction of the Improvements or any portion thereof by extra work, changes in construction ordered by Lessee, or by strikes, lockouts, fire, delay in transportation, unavoidable casualties, rain or weather conditions, governmental procedures or delay, or by any other cause beyond Lessor's control, then the Commencement Date established in paragraph 1.5 of the Lease shall be extended by the period of such delay.

17. TERM

Upon Completion of the Improvements as defined in paragraph 16.3 above, Lessor and Lessee shall execute an amendment to the Lease setting forth the date of Tender of Possession as defined in paragraph 3.2.1 of the Lease or of actual taking of possession, whichever first occurs, as the Commencement Date of this Lease.

18. WORK DONE BY LESSEE

Any work done by Lessee shall be done only with Lessor's prior written consent and in conformity with a valid building permit and all applicable rules, regulations, laws and ordinances, and be done in a good and workmanlike manner with good and sufficient materials. All work shall be done only with union labor and only by contractors approved by Lessor, it being understood that all plumbing, mechanical, electrical wiring and ceiling work are to be done only by contractors designated by Lessor.

19. TAKING POSSESSION OF PREMISES

Lessor shall notify Lessee of the Estimated Completion Date at least ten (10) days before said date. Lessee shall thereafter have the right to enter the

Premises to commence construction of any Improvements Lessee is to construct and to equip and fixturize the Premises, as long as such entry does not interfere with Lessor's work. Lessee shall take possession of the Premises upon the tender thereof as provided in paragraph 3.2.1 of the Lease to which this Work Letter is attached. Any entry by Lessee of the Premises under this paragraph shall be under all of the terms and provisions of the Lease to which this Work Letter is attached.

20. ACCEPTANCE OF PREMISES

Lessee shall notify Lessor in writing of any items that Lessee deems incomplete or incorrect in order for the Premises to be acceptable to Lessee within ten (10) days following Tender of Possession as set forth in paragraph 3.2.1 of the Lease to which this Work Letter is attached. Lessee shall be deemed to have accepted the Premises and approved construction if Lessee does not deliver such a list to Lessor within said number of days.

Initials: \_\_\_\_\_  
\_\_\_\_\_

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EXHIBIT C

PAGE 2 of 2 PAGES

EXHIBIT D

AGREEMENT  
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This agreement (the "Agreement") is entered into on July 7, 1994 by and between FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK ("FIDELITY") and WHITE, ZUCKERMAN, WARSAVSKY & LUNA, A CALIFORNIA GENERAL PARTNERSHIP ("WZWL") with reference to the following facts:

A. FIDELITY and WZWL are Lessor and Lessee respectively under the Standard Office Lease-Gross dated January 10, 1992 (the "Lease") which pertains to the leased premises contained within the office building (the "Building") located at 14455 Ventura Boulevard, in Los Angeles (Sherman Oaks), California.

B. FIDELITY and WZWL have negotiated a new lease (the "New Lease") for different leased premises in the Building.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, FIDELITY and WZWL agree as follows:

1. In consideration of the New Lease, in the event that FIDELITY, in its sole discretion, decides to list the Building for sale with a real estate broker, FIDELITY will, prior to such listing, offer WZWL the opportunity to purchase the Building on exactly the same sale terms, conditions and requirements for which the Building will be listed, except for such terms, conditions and requirements as pertain to the real estate broker, such as the amount of real estate commission to be paid.

2. FIDELITY shall notify WZWL of the opportunity to purchase the Building as described in Section 1 hereof by sending notice of the sale terms, conditions and requirements to the address provided for notice in the New Lease. Within fifteen (15) calendar days of FIDELITY's giving of such notice, WZWL shall notify FIDELITY in writing at the address provided for notices to FIDELITY in the New Lease of WZWL's acceptance of all sale terms, conditions and requirements. If such acceptance is not received by FIDELITY as provided herein, then WZWL shall have no such opportunity to purchase the Building and this Agreement shall terminate, become void and be of no further force and effect, except as provided in Section 4 hereof.

3. This Agreement pertains only to the first occasion after the date hereof of a sale of the Building by FIDELITY which will be listed with a real estate broker except as provided in Section 4 hereof. This Agreement conveys no rights to WZWL pertaining to a sale or transfer of the Building by FIDELITY to its parent company (Citadel Holding Corporation) or to either of their affiliates, subsidiaries, shareholders or investors or to an entity in which such affiliates, subsidiaries, shareholders or investors have an interest, in Fidelity's sole discretion, to directly sell the Building without listing it for sale with a real estate broker. In the event of such a sale or transfer this Agreement shall terminate, become void and be of no further force and effect.

AGREEMENT

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July 7, 1994  
Page 2 of 3 pages

4. In the event that FIDELITY, in its sole discretion, is agreeable to selling the Building for a sales price (including the amount which would otherwise be payable as a real estate commission) which is less than the sales price of which FIDELITY notified WZWL pursuant to Section 2 hereof, then FIDELITY shall notify WZWL of the opportunity to purchase the Building as described in Section 1 hereof by sending notice of the sale terms, conditions and requirements, (including the aforementioned lesser sales price) to the address provided for notice in the New Lease. Within fifteen (15) calendar days of FIDELITY's giving such notice, WZWL shall notify FIDELITY in Writing at the address provided for notice to FIDELITY in the New Lease of WZWL's acceptance of all of the sale terms, conditions and requirements. If such acceptance is not received by FIDELITY as provided in this Section 5, then WZWL shall have no such opportunity to purchase the Building and this Agreement shall terminate, become void and be of no further force and effect. The opportunity to purchase the Building as provided in this Section 4 shall apply only to the first occasion when FIDELITY is agreeable to selling the Building for a sales price which is less than the sales price of which FIDELITY notified WZWL pursuant to Section 2 hereof.

5. Any sale of the Building pursuant to this Agreement must be fully completed as to all sale terms, conditions and requirements by WZWL on or before thirty (30) calendar days of WZWL giving of notice to FIDELITY of its acceptance of all of the sale terms, conditions and requirements. In the event that all terms, conditions and requirements are not completed as required in this Section 3, then WZWL shall have no opportunity to purchase the Building pursuant to this Agreement and this Agreement shall terminate, become void and be of no further force and effect.

6. This Agreement and the right provided herein to WZWL are not transferable or assignable by WZWL to any other natural person, partnership, association, corporation or other persons or entities. WZWL represents and warrants that it has not heretofore transferred or assigned this Agreement or the rights provided herein to any person, partnership, association or corporation.

7. This Agreement shall not be construed as a right of first refusal to purchase the Building.

8. This Agreement is made and entered into under the laws of the State of California and shall be interpreted, applied and enforced under and pursuant to the law of said state.

9. This Agreement sets forth the entire agreement between the parties as to the matters discussed herein and supersedes all prior oral and written agreements, negotiations, discussions or understandings between the parties with respect thereto.

Initials: \_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

FIDELITY FEDERAL BANK,  
A FEDERAL SAVINGS BANK  
  
/s/ GODFREY B EVANS  
-----  
Executive Vice President

WHITE, ZUCKERMAN, WARSAVSKY & LUNA,  
A CALIFORNIA GENERAL PARTNERSHIP  
  
/s/ PAUL WHITE  
-----  
Paul White

/s/ JACK ZUCKERMAN  
-----  
Jack Zuckerman

/s/ FRED WARSAVSKY  
-----  
Fred Warsavsky

/s/ BARBARA LUNA  
-----  
Barbara Luna

EXHIBIT E

RELEASE  
- - - - -

THIS RELEASE (The "Release") is made and entered into as of this 7th day of July, 1994 by WHITE, ZUCKERMAN, WARSAVSKY & LUNA, A CALIFORNIA GENERAL PARTNERSHIP ("WZWL") with reference to the following facts:

A. WZWL is the Lessee under the Standard Office Lease-Gross dated January 10, 1992 (the "Lease") under which Fidelity Federal Bank, a Federal Savings Bank ("Fidelity") is the Lessor.

B. WZWL has alleged that the premises described in Paragraph 1.2 of the Lease were damaged on or after January 17, 1994 by water and other causes due to Fidelity not stopping the supply of water to the building containing such premises earlier than it occurred and Fidelity contends it acted reasonably and pursuant to its obligations under the Lease.

C. WZWL desires to settle such controversy in the manner described below.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WZWL agrees as follows:

1. In consideration of Fidelity agreeing to terminate the Lease and enter into a new lease (the "New Lease") for the premises described in Recital B hereto, WZWL and its successors and assigns hereby release and forever discharge Fidelity and its parent company and their current and former directors, officers, stockholders, representatives, agents, employees, affiliates and attorneys from any and all claims, demands, damages, liabilities, causes of action, costs, expenses, obligations, losses and promises founded either in law or in equity, whether known or unknown, suspected or unsuspected, directly or indirectly arising out of, based upon, or relating to the basis of the controversy referred to in the recitals set forth above or any other matter pertaining to the Lease.

2. WZWL understands and agrees that this Release is being entered into in order to resolve all outstanding disputes between WZWL and the parties released in Section 1 hereof and in consideration of the valuable consideration set forth in this Release. WZWL acknowledges that this Release effects the settlement of claims which are denied and contested by Fidelity and that nothing contained herein shall be construed as an admission of liability by Fidelity.

3. WZWL fully understands and agrees that if any fact, understanding or belief with respect to which this Release is executed is found hereinafter to be other than, or different from, any fact, understanding or belief now believed to be true or correct, WZWL expressly accepts and assumes the risk of such possible differences of fact and agrees that this Release shall be, and remain, effective, notwithstanding such difference in such fact, understanding or belief.

4. WZWL expressly acknowledges that it has relied upon no representations, warranties or promises, except as herein expressly set forth, in agreeing to execute this Release.

5. WZWL agrees to forever refrain and forbear from commencing or instituting any lawsuit, arbitration, action, or other proceeding against Fidelity and the other parties released in Section 1 hereof based on, arising out of, or connected with any matters, known or unknown, existing as of the date of the execution of this Release.

6. WZWL does hereby in favor of and for the benefit of the parties released in Section 1 hereof expressly waive any benefits accruing by reason of the provisions of California Civil Code Section 1542, which provides as follows:

Initials: \_\_\_\_\_

\_\_\_\_\_

Release

-----  
July 7, 1994  
Page 2 of 2 pages

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. WZWL represents and warrants that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm, corporation, partnership or entity whomsoever any claim, debt, liability, demand, obligation, cost, expense, action or cause of action herein released. WZWL agrees to indemnify and hold Fidelity harmless against any claim, debt, liability, demand, obligation, cost, expense (including attorney fees) action or cause of action based on, arising out of or in connection with any such transfer or assignment or purported transfer or assignment.

8. This Release is made and entered into under the laws of the State of California and shall be interpreted, applied and enforced under and pursuant to the laws of said state.

9. If any legal action is brought alleging a breach of this Release, the prevailing party shall be entitled to recover all costs and expenses incurred in that action, including attorney fees.

10. This Release sets forth the entire agreement between the parties as to the release of all claims discussed herein and supersedes all prior oral and written agreements, negotiations, discussions or understandings between the parties with respect thereto.

11. This Release does not pertain to any claim WZWL pursues against Fidelity & Deposit Company of Maryland through the California Department of Insurance.

IN WITNESS WHEREOF, the authorized partners of WZWL has hereunto set their hands the day and year first above written.

WHITE, ZUCKERMAN, WARSAVSKY & LUNA,  
A CALIFORNIA GENERAL PARTNERSHIP

/s/ PAUL WHITE

-----  
Paul White

/s/ JACK ZUCKERMAN

-----  
Jack Zuckerman

/s/ FRED WARSAVSKY

-----  
Fred Warsavsky

/s/ BARBARA LUNA

-----  
Barbara Luna

EXHIBIT F

INVENTORY OF PERSONAL PROPERTY

-----  
600 N. Brand Boulevard, Glendale  
-----

Parking Lot Vacuum/Sweeper  
Exterior Building Paint  
Circuit Breakers  
Light Tubes and Bulbs  
HVAC Filters  
Ceiling Tiles  
Lobby Desk and Chair  
Electrical Boxes  
Work Bench  
Doors and Door Jams  
Parking Lot Arm Card Readers and Cards  
Exterior Rubber Mats  
Spare Cooling Tower Motors

-----  
14455-75 Ventura Boulevard, Sherman Oaks  
-----

None



STANDARD OFFICE LEASE-NET

1. BASIC LEASE PROVISIONS ("Basic Lease Provisions").

1.1 PARTIES: This Lease, dated, for reference purposes only, July 31, 1994, is made by and between Citadel Realty, Inc. (herein called "Lessor") and Fidelity Federal Bank, a Federal Savings Bank (herein called Lessee").

1.2 PREMISES: Ground floor, consisting of approximately 7,079 BOMA rentable square feet, more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the "Premises"). If BOMA measurements of rentable square footage for the Premises vary from the numbers set forth above, an adjustment shall be made to the rental rate per square foot set forth in paragraph 1.6 below and an adjustment shall be made to Lessee's share of operating expenses as set forth in paragraph 1.10.

1.3 BUILDING: Commonly described as being located at 14455-75 Ventura Boulevard, in the City of Sherman Oaks, County of Los Angeles, State of California as more particularly described in Exhibit B hereto, and as defined in paragraph 2.

1.4 PERMITTED USE: Retail bank branch subject to paragraph 6.

1.5 TERM: Five (5) years commencing \_\_\_\_\_ ("Commencement Date") and ending \_\_\_\_\_, as defined in paragraph 3. Lessee's existing lease with Lessor, identified as that certain Standard Office Lease - Net dated \_\_\_\_\_, 199, pertaining to the premises currently leased by Lessee in Lessor's building at 14455-75 Ventura Boulevard, Sherman Oaks, California ("Old Lease"), shall terminate concurrently with the Commencement Date of this Lease.

1.6 BASE RENT: \$\_\_\_\_\_ per month, payable on the first day of each month, in advance, per paragraph 4.1.

1.7 BASE RENT INCREASE: On the date which is twelve (12) months from the Commencement Date and each twelve (12) months thereafter during the term of the Lease, the monthly Base Rent payable under paragraph 1.6 above shall be adjusted as provided in paragraph 4.3 below.

1.8 RENT PAID UPON EXECUTION: Same as paragraph 1.6.

1.9 SECURITY DEPOSIT: One month's rent.

1.10 LESSEE'S SHARE OF OPERATING EXPENSES: 26.94% as defined in paragraph 4.2, subject to adjustment after BOMA measurements as set forth in paragraph 1.2 above.

1.11 OPTION TO EXTEND TERM: One (1) five-year option to extend the term of the Lease as described in paragraph 39.4.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 PREMISES: The Premises are a portion of a building, herein sometimes referred to as the "Building" identified in paragraph 1.3 of the Basic Lease Provisions. "Building" shall include adjacent parking structures used in connection therewith. The Premises, the Building, the Common Areas, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2. VEHICLE PARKING: So long as Lessee is not in default, and subject to the rules and regulations attached hereto as Exhibit C, and as established by Lessor from time to time Lessee shall be entitled to use 26.94% of the parking spaces in the Office Building Project, free of charge; provided, however that Lessee shall pay any and all taxes or surcharges applicable to such parking use which may be levied by any state or local governmental agency from time to time.

2.3 COMMON AREAS - DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Office Building Project that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and of other lessees of the Office Building Project and their respective employees, suppliers, shippers, customers and invitees, including, but not limited to, common entrances, lobbies, corridors, stairways and stairwells, public restrooms, elevators, escalators, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, ramps, driveways, landscaped areas and decorative walls.

2.4 COMMON AREAS - RULES AND REGULATIONS. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit C with respect to the Office Building Project and Common Areas, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees, their agents, employees and invitees of the Office Building Project.

2.5 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Building interior and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, discretion of traffic, decorative walls, landscaped areas and walkways; provided, however, that Lessor shall at all times provide the parking facilities required by applicable law (but in no event shall Lessor be required to provide parking spaces in excess of those currently existing) and that reasonable access to the Building shall always remain available;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available (without any abatement of rent to Lessee);

(c) To designate other land and improvements outside the boundaries of the Office Building Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Office Building Project;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Office Building Project, or any portion hereof;

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Office Building Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

### 3. TERM.

3.1 TERM. The term and Commencement Date of this Lease shall be as specified in paragraph 1.5 of the Basic Lease Provisions.

### 4. RENT.

4.1 BASE RENT. Subject to adjustment as hereinafter provided in paragraph 4.3, and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Base Rent for the Premises set forth in paragraph 1.6 of the Basic Lease Provisions, without any offset or deduction whatsoever. Lessee shall pay Lessor upon execution hereof the advance Base Rent described in paragraph 1.8 of the Basic Lease Provisions. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

4.2 OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share, as hereinafter defined, of all Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "Lessee's Share" is defined, for purposes of this Lease, as the percentage set forth in paragraph 1.10 of the Basic Lease Provisions, which percentage has been determined by dividing the approximate square footage of the Premises by the total approximate square footage of the rentable space contained in the Office Building Project. It is understood and agreed that the square footage figures set forth in the Basic Lease Provisions are approximations which Lessor and Lessee agree are reasonable and shall not be subject to revision (other than as set forth in Article 1) except in connection with an actual change in the size of the Premises or a change in the space available for lease in the Office Building Project. It is further agreed that Lessee shall in no event be entitled to a credit to or adjustment of Lessee's Share of Operating Expenses payable hereunder, even if the ratio of Operating Expenses actually paid by Lessee compared to total Operating Expenses actually paid by other lessees of the Office Building Project exceeds Lessee's Share (as it might, by way of example only and not limitation, if some leases of the Office Building Project are made on a "gross" basis, in which case the lessees under such leases would not directly pay any portion of the Operating Expenses).

(b) "Operating Expenses" is defined, for purposes of this Lease, to include all costs, if any, incurred by Lessor in the exercise of its reasonable discretion, for:

(i) The operation, repair, maintenance, and replacement, in neat, clean, safe, good order and condition, of the Office Building Project, including, but not limited to, the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, telecommunication and other equipment used in common by, or for the benefit of, lessees or occupants of the Office Building Project, including elevators and escalators, lessee directories, fire detection systems including sprinkler system maintenance and repair.

(ii) Trash disposal, janitorial and security services;

(iii) Any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the liability and property insurance policies to be maintained by Lessor under paragraph 8 hereof;

(v) The amount of the real property taxes to be paid by Lessor under paragraph 10.1 hereof;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services to the Office Building Project;

(vii) Labor, salaries and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Office Building Project and accounting and a management fee attributable to the operation of the Office Building Project.

(viii) Replacing and/or adding improvements mandated by any governmental agency and any repairs or removals necessitated thereby amortized over its useful life according to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then reasonable in the judgment of Lessor's accountants);

(ix) Replacements of equipment or improvements, as amortized over such equipment or improvement's useful life for depreciation purposes according to federal income tax guidelines;

(x) Environmental Damages (as hereinafter defined) to the extent not recovered by Lessor directly from any lessees of the Office Building Project.

(c) Operating Expenses shall not include any expenses paid by any lessee directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other lessee, or by insurance proceeds.

(d) Lessee's Share of Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each calendar year of the Lease term, on the same day as the Base Rent is due hereunder. In the event that Lessee pays Lessor's estimate of Lessee's

Share of Operating Expenses as aforesaid, Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Operating Expenses incurred during the preceding year. If Lessee's payments under this paragraph 4.2(d) during said preceding calendar year exceed Lessee's Share as indicated on said statement, Lessee shall be entitled to credit the amount of such overpayment against Lessee's Share of Operating Expenses next falling due. If Lessee's payments under this paragraph during said preceding calendar year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within fifteen (15) days after delivery by Lessor to Lessee of said statement.

(e) If, within thirty (30) days following Lessee's receipt of Lessor's annual statement of actual Operating Expenses pursuant to subparagraph (d) above, Lessee notifies Lessor that Lessee desires to audit Lessor's statement, Lessor shall cooperate with Lessee to permit such audit during normal business hours at Lessee's sole cost and expense. If the audit shows that actual Operating Expenses were less than the amount charged by Lessor pursuant to subparagraph (d) above, the excess amount paid by Lessee shall immediately be refunded by Lessor. If the audit shows that Lessor overstated actual Operating Expenses by more than five percent (5%), Lessor shall pay all the costs and expenses of the audit.

#### 4.3 RENT INCREASE.

4.3.1 At the times set forth in paragraph 1.7 of the Basic Lease Provisions, the monthly Base Rent payable under paragraph 4.1 of this Lease shall be adjusted by the lesser of (i) the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers, (1982-84=100), "All Items," for LA/Anaheim/Riverside area, herein referred to as "C.P.I.," since the date of this Lease and (ii) three percent (3%), but in no event shall such new monthly Base Rent be less than the Base Rent payable for the month immediately preceding the date for the rent adjustment.

4.3.2 The increase in C.P.I. set forth in paragraph 4.3.1(i) shall be calculated as follows: The Base Rent payable for the first month of the term of this Lease, as set forth in paragraph 4.1 of this Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences.

4.3.3 In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculations. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in the county in which the Premises are located, in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties, notwithstanding one party failing to appear after due notice of the proceeding. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

#### 4.3.4 Intentionally Omitted.

4.3.5 Lessee shall continue to pay the rent at the rate previously in effect until the increase, if any, is determined. Within five (5) days following the date on which the increase is determined, Lessee shall make such payment to Lessor as will bring the increased rental current, commencing with the effective date of such increase through the date of any rental installments then due. Thereafter the rental shall be paid at the increased rate.

4.3.6 At such time as the amount of any change in rental required by this Lease is known or determined, Lessor and Lessee shall execute an amendment to this Lease setting forth such change. Failure to execute any such amendment shall not affect Lessee's obligations to pay the increased rental.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the security deposit set forth in paragraph 1.9 of the Basic Lease Provisions as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. If the monthly Base Rent shall, from time to time, increase during the term of this Lease, Lessee shall, at the time of such increase (other than as set forth in paragraph 4.3.1), deposit with Lessor additional money as a security deposit so that the total amount of the security deposit held by Lessor shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial Base Rent set forth in paragraph 1.6 of the Basic Lease Provisions, Lessor shall not be required to keep said security deposit separate from its general accounts. If Lessee performs all of the Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) within thirty (30) days from the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit, and under no circumstances shall Lessor be required to keep the Security Deposit separate from its other funds or in an interest-bearing account, nor shall Lessee be entitled to any interest on such amounts regardless of whether or not the Security Deposit is deposited in an interest-bearing account. Lessee's total required Security Deposit shall be \$\_\_\_\_\_, which is equivalent to the amount of monthly Base Rent state in paragraph 1.6. Upon the Commencement Date, the amount of \$\_\_\_\_\_ shall be credited to Lessee as the Security Deposit for this Lease from the amount of the security deposit then remaining under the Old Lease. The balance of any funds remaining in the security deposit under the Old Lease shall be immediately refunded by Lessor to Lessee, less any offsets pursuant to the terms of the Old Lease.

6. PERMITTED USE.

6.1 PERMITTED USE. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.4 of the Basic Lease Provisions and for no other purpose.

6.2 COMPLIANCE WITH LAW.

(a) Lessor makes no representation or warranty to Lessee regarding the condition of the Premises or with respect to whether or not the Premises, or the use for which Lessee will occupy the Premises, will violate any covenants or restrictions of record, or any applicable building code, regulation, law or ordinance in effect on the Lease term Commencement Date or at any other time.

(b) Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Office Building Project.

### 6.3 CONDITION OF PREMISES.

(a) Lessor acknowledges that it is in possession of the Premises on the Commencement Date, and Lessor makes no representation or warranty regarding the condition of the Premises.

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that the Premises are suitable for its intended use, and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Office Building Project for the conduct of Lessee's business.

### 7. MAINTENANCE, REPAIRS, ALTERATIONS AND COMMON AREA SERVICES.

7.1 LESSOR'S OBLIGATIONS. Lessor shall keep the Office Building Project, including the Premises, interior and exterior walls, roof, and common areas, in good condition and repair; provided, however, Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Building or are above then Building standards. Except as provided in paragraph 9.5, there shall be no abatement of rent or liability of Lessee on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Office Building Project or any part thereof, or on account of any interruption of services or of access to the Premises, Building or Office Building Project. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premises in good order, condition and repair.

#### 7.2 LESSEE'S OBLIGATIONS.

(a) Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any Premises improvements that are not ordinarily a part of the Building or that are above then Building standards. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

(b) On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as received, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall paneling, ceilings and plumbing on the Premises and in good operating condition.

### 7.3 ALTERATIONS AND ADDITIONS.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project; provided, however, that without the prior consent of Lessor, Lessee may make any non-structural alteration, improvement, addition, Utility Installation or repair to the interior of the Premises as long as it is not visible from the outside, does not involve puncturing, relocating or removing the roof or any existing walls, and does not require the procurement of a building permit. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term, Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense; provided, however, that Lessee shall have no obligation to remove the walk-in valut on the ground floor. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor as has been expressly approved by Lessor, and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. In addition, Lessee shall require all contractors and subcontractors performing work at the Premises to carry workers' compensation insurance and liability insurance in an amount reasonably acceptable to Lessor, and Lessee shall provide copies of all such workers' compensation and liability insurance policies or certificates to Lessor. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor (unless such approval is not required pursuant to the first sentence of this paragraph 7.3(a)), or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from the applicable governmental agencies, if required, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Office Building Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. Lessee shall at all times keep the Premises, the Building and the Office Building Project free and clear of liens attributable in any way to a work of improvement commissioned by Lessee, or to the acts or omissions of Lessee, any of Lessee's employees, agents, or contractors, or any of their employees, agents or sub-contractors. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Lessor or the Premises, the Building or the Office Building Project, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount not less than one hundred ten percent (110%) of the amount of such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys' fees and costs in participating in such action if Lessor shall decide it is to Lessor's best interest so to do.



(e) All alterations, improvements, additions and Utility installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation, and lighting and telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the lease term, unless Lessor requires their removal pursuant to paragraph 7.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 7.3(e), Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2.

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility Installations for which a building permit is required.

(g) Lessee shall be allowed to maintain any night depository or automatic teller machines (ATM) existing on the Premises at the Commencement Date. In addition, Lessee may install one night depository and/or one or more ATM(s), protruding through the exterior walls of the Office Building Project on the Premises, at any time during the Term of the Lease, subject to all applicable laws and regulations and Lessor's prior written approval, which shall not be unreasonably withheld. Lessor's approval shall not be deemed unreasonably withheld if based on concerns regarding the impact of the installation of the night depository and ATM(s) upon the structure or aesthetics of the Office Building Project, the projected traffic flow or the safety of Lessor's and Lessee's employees, representatives and invitees. Subject to Lessor's ability to withhold approval for the installation of the night depository and ATM(s) as set forth above, Lessor shall cooperate with Lessee to install the night depository and ATM(s) in such a manner as to provide adequate security for night depository and ATM users. At the expiration of the Term, Lessor may require the removal of any night depository and ATM(s) installed by Lessee and the restoration of the Premises to their prior condition.

7.4 UTILITY ADDITIONS. Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, security systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.

## 8. INSURANCE; INDEMNITY.

8.1 LIABILITY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease a policy of Comprehensive General Liability insurance utilizing an Insurance Services Office standard form with Broad Form General Liability Endorsement (GL0404), or equivalent, in an amount of not less than \$2,000,000 per occurrence of bodily injury and property damage combined or in a greater amount as reasonably determined by Lessor and shall insure Lessee with Lessor as an additional insured against liability arising out of the use, occupancy or maintenance of the Premises. Compliance with the above requirement shall not, however, limit the liability of Lessee hereunder.

8.2 LIABILITY AND EARTHQUAKE INSURANCE-LESSOR. Although Lessor shall not be required to maintain any liability or earthquake insurance, any premiums for such insurance maintained by Lessor relating to the Premises, the Building or the Office Building Project shall be Operating Expenses hereunder.

8.3 PROPERTY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, replacement cost all-risks insurance, including without limitation fire and extended coverage insurance, with vandalism and malicious mischief, sprinkler leakage and earthquake sprinkler leakage endorsements, in an amount sufficient to cover not less than 100% of the full replacement costs, as the same may exist from time to time, of all of Lessee's personal property, fixtures, equipment and tenant improvements, less the amount of such standard deductibles as determined by Lessee.

8.4 PROPERTY INSURANCE-LESSOR. Lessor shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Office Building Project improvements, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass, and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Office Building Project. In addition, Lessor shall obtain and keep in force, during the term of this Lease, a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all Operating Expenses for said period. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these paragraphs 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. In the event that the Premises shall suffer an insured loss as defined in paragraph 9.1(f) hereof, the deductible amounts under the applicable insurance policies shall be deemed an Operating Expense. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Office Building Project over what it was immediately prior to the commencement of the term of this Lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee.

8.5 INSURANCE POLICIES. Lessee shall deliver to Lessor copies of liability insurance policies required under paragraph 8.1 or certificates evidencing the existence and amounts of such insurance within seven (7) days after the Commencement Date of this Lease.

Each policy required to be obtained by Lessee hereunder shall: (a) be issued by insurers authorized to do business in the state in which the Building is located and rated not less than financial class X, and not less than policyholder rating A, in the most recent version of Best's Key Rating Guide, or the equivalent rating in any other comparable guide selected by Lessor (provided that, in any event, the same insurance company shall provide the coverages described in paragraphs 8.1 and 8.3 above); (b) be in form reasonably satisfactory from time to time to Lessor; (c) name Lessee as named insured thereunder and shall name Lessor and, at Lessor's request, Lessor's mortgagees and ground lessors of which Lessee has been informed in writing, as additional insureds (d) not have a deductible amount exceeding Twenty-Five Thousand Dollars (\$25,000.00); (e) specifically provide that the insurance afforded by such policy for the benefit of Lessor and Lessor's mortgagees and ground lessors shall be primary, and any insurance carried by Lessor or Lessor's mortgagees and ground lessors shall be excess and non-contributing; (f) except for worker's compensation insurance, contain an endorsement that the insurer waives its right to subrogation as described in paragraph 8.6 below; and (g) contain an undertaking by the insurer to notify Lessor (and the mortgagees and ground lessors of Lessor who are named as additional insureds) in writing not less than ten (10) days prior to any material change, reduction in coverage, cancellation or other termination thereof. Lessee agrees to deliver to Lessor, as soon as practicable after the placing of the required insurance, but in no event later than ten (10) days after the date Lessee takes possession of all or any part of the Premises, certified copies of each such insurance policy (or certificates from the insurance company evidencing the existence of such insurance and Lessee's compliance with the foregoing provisions of this paragraph 8). Lessee shall cause replacement policies or certificates to be delivered to Lessor not less than ten (10) days prior to the expiration of any such policy or policies. If any such initial or replacement policies or certificates are not furnished within the time(s) specified herein, Lessee shall be deemed to be in material default under this Lease without the benefit of

any additional notice or cure period provided herein, and Lessor shall have the right, but not the obligation, to procure such policies and certificates at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

8.7 INDEMNITY. Lessee shall indemnify and hold harmless Lessor and its officers, directors, contractors, agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims, actions, liabilities, costs, penalties and expenses of any kind and nature for damage to the person (including death) or property of anyone or any entity arising from Lessee's use of the Office Building Project, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims, costs and expenses arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, employees or invitees and from and against all costs, attorneys' fees, expenses and liabilities incurred by Lessor as the result of any such use, conduct, activity, work, things done, permitted or suffered, breach, default or negligence, and in dealing reasonably therewith, including but not limited to the defense or pursuit of any claim or any action or proceeding involved therein; and in case any action or proceeding be brought against Lessor by reason of any such matter, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon or about the Office Building Project arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. Notwithstanding anything to the contrary contained in this paragraph 8.7, Lessee shall not indemnify Lessor or any other person from any loss, liability or expense to the extent that a cause was (i) negligence or misconduct on the part of Lessor or any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such loss, liability, expense or defect was the result of any negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Office Building Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Office Building Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Office Building Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible, Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Office Building Project, nor from the failure of Lessor to enforce the provisions of any other lease of any other lessee of the Office Building Project. Notwithstanding anything to the contrary contained in this paragraph 8.8, nothing contained herein shall exempt Lessor from liability which it otherwise would have, to the extent that it is attributable to (i) negligence or misconduct on the part of Lessor any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such liability or defect was the result of any negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.9 NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified in this paragraph 8 are adequate to cover Lessee's property or obligations under this Lease.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "Premises Damage" shall mean if the Premises are damaged or destroyed to any extent.

(b) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent (50%) of the then Replacement Cost of the Building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%) or more of the then Replacement Cost of the Building.

(d) "Office Building Project Buildings" shall mean all of the buildings on the Office Building Project site.

(e) "Office Building Project Buildings Total Destruction" shall mean if the Office Building Project Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent (50%) or more of the then Replacement Cost of the Office Building Project Buildings.

(f) "Insured Loss" shall mean damage or destruction which was caused by an event either required to be covered by the insurance described in paragraph 8 or for which no coverage is required by the insurance described in paragraph 8, but for which Lessor is nonetheless insured. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(g) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring, excluding all improvements made by lessees, other than those installed by Lessor at Lessee's expense.

## 9.2 PREMISES DAMAGE; PREMISES BUILDING PARTIAL DAMAGE.

(a) Insured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Building Partial Damage, then Lessor shall, as soon as reasonably possible and to the extent insurance proceeds are available and the required materials and labor are readily available through usual commercial channels, at Lessor's expense, repair such damage (but not Lessee's fixtures, equipment or tenant improvements originally paid for by Lessee, unless Lessor, its employees, agents or representatives were responsible for such damage) to its condition existing at the time of the damage, and this Lease shall continue in full force and effect. Notwithstanding the foregoing, in the event that such Premises Building Partial Damage was caused by the negligent act or omission of Lessee, its agents, employees or contractors, Lessor shall be required to repair such damage only to the extent that insurance proceeds are available to cover the cost of such repair, and any portion of the cost of repair for which insurance proceeds are unavailable shall be borne by Lessee.

(b) Uninsured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

9.3 PREMISES BUILDING TOTAL DESTRUCTION; OFFICE BUILDING PROJECT TOTAL DESTRUCTION. Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage, whether or not it is an insured Loss, which falls into the classifications of either (i) Premises Building Total Destruction, or (ii) Office Building Project Total Destruction, then Lessor may at Lessor's option either (i) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements unless Lessor, its employees, agents or representatives were responsible for such damage, and this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage.

## 9.4 DAMAGE NEAR END OF TERM.

(a) Subject to paragraph 9.4(b), if at any time during the last eighteen (18) months of the term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than thirty (30) days after the occurrence of an Insured Loss falling within the classification of Premises Damage during the last eighteen (18) months of the term of this Lease. If Lessee duly exercises such option during said thirty (30) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said thirty (30) day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said thirty (30)

day period by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of said thirty (30) day period, notwithstanding any term or provision in the grant of option to the contrary.

9.5 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) If, in the event of Premises Damage, Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 9, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder (including Lessee's Share of Operating Expenses) for the period during which such damage, repair or restoration continues shall be abated to the extent in excess of rental interruption insurance or loss insurance proceeds received by Lessor and credited to Lessee for the Payment of rent hereunder, provided (1) the damage was not the result of the negligence of Lessee, and (2) such abatement shall only be to the extent to which the Premises Damage interferes with Lessee's use of the Premises. Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this paragraph 9 or if Lessor elects to repair or restore the Premises or the Building under paragraph 9.2(b), and shall not immediately commence diligent repair or restoration efforts (including, without limitation, submitting applications for building permits) after such occurrence, or if Lessor shall not complete the restoration and repair (as evidenced by receipt of a certificate of occupancy, temporary certificate of occupancy or other relevant certification that improvements have been completed) within nine (9) months after such occurrence (unless such failure to complete the restoration and repair is delayed due to a force majeure event, in which case such nine (9) month period shall be extended by the number of days that Lessor was unable to conduct such repair and restoration efforts due to such force majeure event), Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion, respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice. Notwithstanding the foregoing, if Lessor believes that it will be unable to complete the restoration and repair of the Premises or the Building within nine (9) months from the date of such occurrence, Lessor shall so notify Lessee as soon as such determination is made by Lessor, and Lessee shall have the option to allow Lessor a longer period of time within which to complete the restoration or repair or to terminate the Lease upon ten (10) days written notice to Lessor.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specifications required.

9.6 TERMINATION-ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this paragraph 9, all advance rent and any advance payments made by Lessee to Lessor, less any amounts due and owing to Lessor under the Lease, shall be refunded to Lessee. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.7 WAIVER. Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the real property tax, as defined in paragraph 10.3, applicable to the Office Building Project subject to reimbursement by Lessee of Lessee's Share of such taxes in accordance with the provisions of paragraph 4.2, except as otherwise provided in paragraph 10.2.

10.2 ADDITIONAL IMPROVEMENTS. Lessee shall not be responsible for paying any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Office Building Project by other lessees or by Lessor for the exclusive enjoyment of any other lessee. Lessee shall, however, pay to Lessor at the time that Operating Expenses are payable under paragraph 4.2(d) the entirety of any increase in real property tax if assessed solely by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request.

10.3 DEFINITION OF "REAL PROPERTY TAX." As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Office Building Project or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Office Building Project or in any portion thereof, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Office Building Project. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinabove included within the definition of "real property tax," or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a change in ownership, as defined by applicable local statutes for property tax purposes, of the Office Building Project or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such change of ownership, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

10.4 JOINT ASSESSMENT. If the improvements or property, the taxes for which are to be paid separately by Lessee under paragraph 10.2 or 10.5 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 PERSONAL PROPERTY TAXES.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES.

11.1 SERVICES PROVIDED BY LESSOR. Lessor shall provide heating, ventilation, air conditioning, and janitorial service as reasonably required, reasonable amounts of electricity for normal lighting and office machines, tap water for reasonable and normal drinking and lavatory use, and replacement light bulbs and/or florescent tubes and ballasts for standard overhead fixtures. Janitorial service shall be provided Monday through Friday with the exception of holidays designated by Lessor. All such water, gas and electricity shall be available to the Premises 24 hours a day, seven (7) days a week for normal office purposes. Costs incurred by Lessor in providing such services shall be Operating Expenses.

11.2 SERVICES EXCLUSIVE TO LESSEE. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If any such services are not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises in the Building.

11.3 HOURS OF SERVICE. Said services and utilities shall be provided during the hours between 8:00 a.m. and 6:00 p.m. on Monday through Friday and between 8:00 a.m. and 12:00 noon on Saturday or such other days or hours as may hereafter be set forth. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 EXCESS USAGE BY LESSEE. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security services, over standard office usage for the Office Building Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, subject to Lessee's consent, which shall not be unreasonably withheld, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 INTERRUPTIONS. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service, when the cause thereof was beyond Lessor's reasonable control. In case of any such interruption, Lessor shall immediately take all reasonable steps to restore the interrupted utilities and services.



12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 13.1. "Transfer" within the meaning of this paragraph 12 shall include the transfer or transfers aggregating: (a) if Lessee is a corporation, more than fifty percent (50%) of the voting stock of such corporation or (b) if Lessee is a partnership, more than fifty percent (50%) of the profit and loss participation in such partnership. Notwithstanding the foregoing to the contrary, Lessee may assign or sublet the Premises or any portion thereof to any affiliate or subsidiary of Lessee upon notice to Lessor, but without the consent of Lessor.

12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the rent and other sums due Lessor hereunder including Lessee's Share of Operating Expenses, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment without being deemed to have consented thereto.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 of this Lease.

(d) If Lessee's obligations under this Lease have been guaranteed by third parties, then an assignment or sublease, and Lessor's consent thereto, shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(e) The consent by Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; provided, however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessee under this Lease or such sublease.

(f) In the event of any default under this Lease, Lessor may proceed directly against Lessee, any guarantors or anyone else responsible for the performance of this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(g) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgment that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

(h) The discovery of the fact that any financial statement relied upon by Lessor in giving its consent to an assignment or subletting was materially false shall, at Lessor's election, render Lessor's said consent null and void.

(i) In no event shall Lessee enter into a sublease or assignment of the Premises for any use other than as a retail bank branch.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessee shall have the right to rely upon any such statement and request from Lessor, and that such sublessee shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or Lessor for any such rents so paid by said sublessee to Lessor.

(b) No sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. In entering into any sublease, Lessee shall use only such form of sublease as is satisfactory to Lessor, and once approved by Lessor, such sublease shall not be changed or modified without Lessor's prior written consent. Any sublessee shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessor has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) With respect to any subletting to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to the sublessee. Such sublessee shall have the right to cure a default of Lessee within three (3) days after service of said notice of default upon such sublessee, and the sublessee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by the sublessee.

(f) Notwithstanding anything to the contrary in the foregoing, fifty percent (50%) of any rent or other economic consideration received by Lessee as a result of an assignment or subletting which exceeds, in the

aggregate, (i) the total rent which Lessee is obligated to pay to Lessor under the Lease (prorated to reflect obligations allocable to any portion of the Premises subleased), plus (ii) any reasonable and customary brokerage commissions (not to exceed three percent (3%) of base rent payable under the assignment or sublease), and reasonable attorneys' fees and consulting fees actually paid by Lessee in connection with such assignment or subletting, shall be paid to Lessor within ten (10) days after receipt thereof as additional rent hereunder, without altering or reducing any other obligations of Lessee hereunder.

(g) Notwithstanding anything to the contrary contained in this paragraph 12, Lessor shall convey to Lessee in writing its approval or reasonable disapproval of any assignment or subletting, no more than fifteen (15) business days following receipt of Lessee's written request, along with any additional information and/or documentation reasonably requested by Lessor. Lessor's failure to respond to Lessee's request for approval of any assignment or subletting within such fifteen (15) day period shall be conclusively deemed an approval of such request.

12.4 LESSOR'S EXPENSES. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable costs and expenses incurred in connection therewith, including without limitation attorneys', architects', engineers' and other consultants' fees.

12.5 CONDITIONS TO CONSENT. Lessor reserves the right to condition any approval to assign or sublet upon Lessor's determination that (a) the proposed assignee or sublessee shall conduct a business on the Premises of a quality substantially equal to that of Lessee and consistent with the general character of the other occupants of the Office Building Project and not in violation of any exclusives or rights then held by other lessees, and (b) the proposed assignee or sublessee be at least as financially responsible as Lessee was expected to be at the time of the execution of this Lease or of such assignment or subletting, whichever is greater.

### 13. DEFAULT; REMEDIES.

13.1 DEFAULT. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee:

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of sixty (60) days or more, whether or not the rent is paid.

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 7.3(a),(b) or (d) (alterations), 12.1 (assignment or subletting), 13.1(a) (vacation or abandonment), 13.1(e) (insolvency), 13.1(f) (false statement), 16(a) (estoppel certificate), 30(b) (subordination), 33 (auctions), or 41.1 (easements), all of which are hereby deemed to be material, non-curable defaults without the necessity of any notice by Lessor to Lessee thereof.

(c) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to

Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) Lessee becoming a "debtor" as defined in 11 U.S.C. (S) 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

### 13.2 LESSOR'S REMEDIES.

(a) Termination. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the immediate option to terminate this Lease and all rights of Lessee hereunder. In the event that Lessor shall elect to so terminate this Lease, then Lessor may recover from Lessee:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonable avoided; plus

(iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease including, but not limited to: attorneys' fees; brokers' commissions; the costs of refurbishment, alterations, renovation and repair of the Premises; and removal (including the repair of damage caused by such removal) and storage (or disposal) of Lessee's personal property, equipment, fixtures, Lessee's alterations, additions, leasehold improvements and any other items which Lessee is required under this Lease to remove but does not remove.

As used in subparagraphs (i) and (ii), above, the "worth at the time of award" is computed by allowing interest at the maximum interest rate which Lessor is permitted by law to charge to Lessee (the "Lease Rate"). As used in subparagraph (iii), above, the "worth at the time of award" is computed by

discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Re-Entry Rights. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed, stored and/or disposed of pursuant to this Lease or any other procedures permitted by applicable law. No re-entry or taking possession of the Premises by Lessor pursuant to this paragraph 13.2(b), and no acceptance of surrender of the Premises or other action on Lessor's part, shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction.

(c) Continuation of Lease. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the right to continue this Lease in full force and effect, whether or not Lessee shall have abandoned the Premises. The foregoing remedy shall also be available to Lessor pursuant to California Civil Code Section 1951.4 and any successor statute thereof in the event Tenant has abandoned the Premises. In the event Lessor elects to continue this Lease in full force and effect pursuant to this paragraph 13.2(c), then Lessor shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due. Lessor's election not to terminate this Lease pursuant to this paragraph 13.2(c) or pursuant to any other provision of this Lease, at law or in equity, shall not preclude Lessor from subsequently electing to terminate this Lease or pursuing any of its other remedies.

(d) Rights and Remedies Cumulative. All rights, options and remedies of Lessor contained in this paragraph 13.2 and elsewhere in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease. Nothing in this paragraph 13.2 shall be deemed to limit or otherwise affect Lessee's indemnification of Lessor pursuant to any provision of this Lease.

13.3 DEFAULT BY LESSOR. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first Mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expenses or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, Operating Expenses, or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within fifteen (15) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 5% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

14. CONDEMNATION. If the Premises or any portion thereof or the Office Building Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expenses shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. INTENTIONALLY OMITTED.

16. ESTOPPEL CERTIFICATE.

(a) Each party (as "responding party") shall at any time upon not less than ten (10) business days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed, and (iii) in the case of Lessee, certify as to such other matters as may be requested by Lessor or by a prospective purchaser or encumbrancer of all or any part of the Office Building Project. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Office Building Project or of the business of Lessee.

(b) At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond, without any further notice to such party, or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, (iii) if

Lessor is the requesting party, not more than one month's rent has been paid in advance, and (iv) if Lessor is the requesting party, there are no remaining obligations of the requesting party under this Lease yet to be performed.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a Lessee's interest in a ground lease of the Office Building Project, and except as expressly provided in this Lease, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. SEVERABILITY. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law or judgments from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease; provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

20. TIME OF ESSENCE. Time is of the essence with respect to the obligations to be performed under this Lease.

21. ADDITIONAL RENT. All monetary obligations of Lessee to Lessor under the terms of this Lease, including but not limited to Lessee's Share of Operating Expense and any other expenses payable by Lessee hereunder shall be deemed to be rent.

22. INCORPORATION OF PRIOR AGREEMENTS; AMENDMENTS. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the real estate broker listed in paragraph 15 hereof nor any cooperating broker on this transaction nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Office Building Project and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease.

23. NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail, and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. In addition, a copy of all notices pertaining to any event of default, termination of tenancy or any matters which may give rise to a dispute between the parties shall also be delivered to Lessee at: Fidelity Federal Bank, 600 North Brand Boulevard, P.O. Box 1631, Glendale, California 91209, Attention: Legal Department. Mailed notices shall be deemed given upon actual receipt at the address required, or forty-eight hours following

deposit in the mail, postage prepaid, whichever first occurs. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.

24. **WAIVERS.** No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. **RECORDING.** Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

26. **HOLDING OVER.** If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that the rent payable shall be one hundred twenty percent (120%) of the rent payable immediately preceding the termination date of this Lease, and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. **CUMULATIVE REMEDIES.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **COVENANTS AND CONDITIONS.** Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

29. **BINDING EFFECT; CHOICE OF LAW.** Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California applicable to contracts to be wholly performed within such State.

30. **SUBORDINATION.**

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall, without the necessity of Lessee or any other party executing any additional documentation, be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of



trust or ground lease whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be; provided, however, that Lessor must use best efforts to secure from lender a nondisturbance agreement containing provisions which are reasonable and customary for commercial leasing transactions. Lessee's failure to execute such documents within fifteen (15) days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee.

31. ATTORNEYS' FEES.

31.1 If either party named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.

31.3 Lessor shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notices of default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such default.

32. LESSOR'S ACCESS.

32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs.

32.2 All activities of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forceable or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of

reasonableness in determining whether to grant such consent. The holding of any auction on the Premises or Common Areas in violation of this paragraph shall constitute a material default of this Lease.

34. SIGNS. Lessee shall not place any additional permanent sign upon the Premises or the Office Building Project without Lessor's prior written consent; provided, however, that Lessee may replace any currently existing permanent sign upon the Premises or the Office Building Project with the consent of Lessor, which consent shall not be unreasonably withheld. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project. Notwithstanding the foregoing, Lessee shall be allowed to maintain, and Lessor hereby approves of, all permanent signs existing on the Premises and the Office Building Project as of the Commencement Date. Additionally, Lessee shall be entitled to affix its other customary signs, advertising placards, names, insignia, trademarks and other descriptive materials to the interior of the Premises in accordance with the signage plan attached hereto as Exhibit "D" (except that signs notifying Lessee's customers of branch holiday closings may be placed on the entrance doors to the Premises and the doors from the Premises to the Building lobby); provided, that all such signs, advertising placards, and other descriptive materials shall be commercially printed and shall occupy no more than ten percent (10%) of the interior surface area of the glass on the Premises.

35. MERGER. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

36. CONSENTS. Except for paragraphs 33 (auctions) and 34 (signs) hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

37. GUARANTOR. In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Lessee under this Lease.

38. QUIET POSSESSION. Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

39. OPTIONS.

39.1 DEFINITION. As used in this paragraph the word "Option" means the right or option to extend the term of this Lease or to renew this Lease.

39.2 OPTIONS PERSONAL. Each Option granted to Lessee in this Lease is personal to the original Lessee and may be exercised only by the original Lessee while occupying the Premises who does so without the intent of thereafter assigning this Lease or subletting the Premises or any portion thereof, and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Lessee; provided, however, that an Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 12.2 of this Lease. The

Options, if any, herein granted to Lessee are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise.

### 39.3 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(c) or 13.1(d) and continuing until the noncompliance alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) and continuing until the obligation is paid, or (iii) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, during the 12-month period of time immediately prior to the time that Lessee attempts to exercise the subject Option, (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants or conditions of this Lease.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force of effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessee fails to commence to cure a default specified in paragraph 13.1(d) within thirty (30) days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion, (iii) Lessor gives to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, or (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants and conditions of this Lease.

39.4 OPTION TO EXTEND TERM. Lessee shall have the Option to extend the term of this Lease on the terms set forth in this Lease, except for Base Rent, for one (1) five-year term (an "extended term") following expiration of the initial Term of the Lease, by giving written notice of exercise of the Option (the "option notice") to Lessor at least six (6) months, but no more than nine (9) months before the expiration of the Term, at an annual Base Rent equal to the higher of the "fair market rental rate" or the prevailing Base Rent payable by Lessee in the twelve (12) months immediately preceding the extended term. The "fair market rental rate" shall mean and refer to the monthly rental rate then being charged for non-renewal, non-expansion, then-current, comparable, non-sublease, non-encumbered, non-equity space for retail bank branch use (collectively, "Comparable Space") in reasonably equivalent first class commercial office buildings in the Sherman Oaks-Encino area, similarly improved, taking into consideration the floor level on which the Premises are located, existing tenant improvements or, if no such improvements exist, allowances provided or to be provided for such comparable space, rental abatement concessions, if any, the length of the relevant term, the extent of services to be provided to the Premises, the date as of which the fair market rental rate is to become effective, and any other relevant terms or conditions. In order to determine the fair market rental rate for purposes hereof, Lessor shall provide written notice of the fair market rental rate not later than thirty (30) days after the last day on which the option notice may be given by Lessee. Lessee shall have fifteen (15) days ("Lessee's Review Period") after receipt of Lessor's notice within which to accept such fair market rental rate or to reasonably object thereto in writing. Failure of Lessee to so object to the fair market rental rate submitted by Lessor in writing within Lessee's Review Period shall conclusively be deemed its approval thereof. In the event Lessor objects to the fair market rental rate submitted by Lessor, Lessor and Lessee shall attempt in good faith to reach agreement on such fair market rental rate within fifteen (15) days following Lessee's Review Period (the "Outside Agreement Date"), after which each party's determination shall be

submitted to appraisal as follows. Lessor and Lessee shall each appoint one independent appraiser who shall be a real estate professional who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of commercial properties in the Sherman Oaks-Encino area. The determination of the appraisers shall be limited solely to the issue of whether Lessor's or Lessee's submitted fair market rental rate for the ground floor of the Premises is the closest to the actual fair market rental rate for the ground floor of the Premises as determined by the appraisers, taking into account the requirements for Comparable Space outlined above. Such decision shall be based upon the projected prevailing fair market rental rate as of the commencement date of the extended term. Each appointed appraiser shall within ten (10) days of the date of the appointment of the last appraiser agree upon and appoint a third appraiser who shall be qualified under the same criteria set forth hereinabove for the qualification of the initial two (2) appraisers. The three (3) appraisers shall within thirty (30) days of the appointment of the third appraiser reach a decision as to whether the parties shall use Lessor's or Lessee's submitted fair market rental rate, and shall notify the parties thereof. The decision of the majority of the three (30) appraisers shall be binding upon Lessor and Lessee. If either Lessor or Lessee fails to appoint an appraiser within the time period specified hereinabove, the appraiser appointed by one of them shall reach a decision based upon the same procedures as set forth above and shall notify Lessor and Lessee thereof, and such appraiser's decision shall be binding upon Lessor and Lessee. If the two (2) appraisers fail to agree upon and appoint a third appraiser, both appraisers shall submit the limited issue of choosing a third appraiser to arbitration under the provisions of the American Arbitration Association, based upon the same procedures as set forth above. The cost of the appraisers and/or of the arbitration shall be paid by the losing party.

40. SECURITY MEASURES -- LESSOR'S RESERVATIONS.

40.1 Lessor hereby acknowledges that Lessor shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Office Building Project. Lessee assumes all responsibility for the protection of Lessee, its agents and invitees and the property of Lessee and of Lessee's agents and invitees from acts of third parties. Nothing contained herein shall prevent Lessor, at Lessor's sole option, from providing security protection for the Office Building Project or any part thereof, in which event the cost thereof shall be included within the definition of Operating Expenses, as set forth in paragraph 4.2(b). Notwithstanding anything to the contrary contained in this Lease, Lessor and Lessee further acknowledge that Lessor shall have no responsibility or liability for the security or safety of Lessee's employees or customers utilizing the night depositories or ATM(s) installed on the Premises.

40.2 Without limiting its rights at law or elsewhere under this Lease, Lessor shall have the following rights:

(a) To change the name, address or title of the Office Building Project or building in which the Premises are located upon not less than 90 days' prior written notice;

(b) To, at Lessee's expense, provide and install Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate;

(c) To permit any lessee the exclusive right to conduct any business as long as such exclusive does not conflict with any rights expressly given herein;

(d) To place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Office Building Project or on pole signs in the Common Areas.

40.3 Lessee shall not:

(a) Use a representation (photographic or otherwise) of the Building or the Office Building Project or their name(s) in connection with Lessee's business;

(b) Suffer or permit anyone, except in emergency, to go upon the roof of the Building.

41. EASEMENTS.

41.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material default of this Lease by Lessee without the need for further notice to Lessee.

41.2 The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

42. INTENTIONALLY OMITTED.

43. LESSOR'S RIGHT TO PERFORM. Except as specifically provided otherwise in this Lease, all covenants and agreements by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any abatement or offset of rent. If Lessee shall fail to pay any sum of money (other than Basic Rent) or perform any other act on its part to be paid or performed hereunder and such failure shall continue for three (3) days with respect to monetary obligations (or ten (10) days with respect to non-monetary obligations) then, notwithstanding anything to the contrary provided elsewhere herein, after Lessee's receipt of written notice thereof from Lessor, Lessor may, without waiving or releasing Lessee from any of Lessee's obligations, make such payment or perform such other act on behalf of Lessee. All sums so paid by Lessor and all necessary incidental costs incurred by Lessor in performing such other acts, together with interest at the Lease Rate and any reasonable administrative fee charged by Lessor, shall be payable by Lessee to Lessor within five (5) days after demand therefor as additional rent. Notwithstanding the foregoing, in the event of an emergency, Lessor shall have the right without notice to Lessee, to immediately perform any obligation of Lessee hereunder. The foregoing rights are in addition to any and all remedies available to Lessor upon Lessee's default as described in paragraph 13.2.

44. LIMITATION ON LESSOR'S LIABILITY. Notwithstanding anything contained in this Lease to the contrary, the obligations of Lessor under this Lease (including any actual or alleged breach or default by Lessor) do not constitute personal obligations of the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, and Lessee shall not seek recourse against the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, or any of their personal assets for satisfaction of any liability with respect to this Lease. In addition, in consideration of the benefits accruing hereunder to Lessee and notwithstanding anything contained in this Lease to the contrary, Lessee hereby covenants and agrees for itself and all of its successor and assigns that the liability of Lessor for its obligations under this Lease (including any liability as a result of any actual or alleged failure, breach or default hereunder by Lessor), shall be limited solely to, and Lessee's and its successors' and assigns' sole and exclusive remedy shall be against, Lessor's interest in the Office Building Project and proceeds therefrom, and no other assets of Lessor.

45. TOXIC MATERIALS.

(a) Definitions.

For purposes of this paragraph 45, "Hazardous Material" shall mean any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action or policy; or

(ii) which is or becomes defined as a "hazardous waste" or "hazardous substance" under any federal, state or local statute, regulation, ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601 et seq.) and or the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.); or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of California or any political subdivision thereof; or

(iv) the presence of which on the Premises, Building or Office Building Project causes or threatens to cause a nuisance upon the Premises, Building or Office Building Project or to adjacent properties or poses or threatens to pose a hazard to the Premises, Building or Office Building Project or to the health or safety of persons on or about the Premises, Building or Office Building Project; or

(v) without limitation which contains gasoline, diesel fuel or other petroleum hydrocarbons; or

(vi) without limitation which contains polychlorinated biphenols (PCBs), asbestos or urea formaldehyde foam insulation; or

(vii) which is or becomes defined as "medical waste" under the Medical Waste Management Act (Health & Safety Code Sections 25015-25099.3).

For purposes of this paragraph 45, "Environmental Requirements" means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including without limitation:

(i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of "Hazardous Materials," chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials, or wastes, whether solid, liquid or gaseous in nature; and

(ii) all requirements pertaining to the protection of the health and safety of employees or the public.

For purposes of this paragraph 45, "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence on or after the date upon which Lessee takes possession of the Premises (the "Possession Date") of "Hazardous Material" upon, about, beneath the Premises, Building or Office Building Project or migrating or threatening to migrate to or from the Premises, Building or Office Building Project or the existence of a violation of "Environmental Requirements" pertaining to the Premises, Building or Office Building Project, regardless of whether the existence of such "Hazardous Material" or the violation of "Environmental Requirements" arose prior to the present ownership or operation of the Premises, Building or Office Building Project, and including without limitation:

(i) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, Building or Office Building Project, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Lessee, with respect to which Lessee waives any immunity to which it may be entitled under any industrial or worker's compensation laws;

(ii) fees incurred for the service of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such "Hazardous Materials" or violation of "Environmental Requirements" including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remedial, removal, response, abatement, containment, closure, restoration or monitoring work required by any federal, state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Premises, Building or Office Building Project or any other property or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this Lease or collection of any sums due hereunder;

(iii) liability to any third person or governmental agency to indemnify such person or agency for costs expended in connection with the items referenced in subparagraph (ii) herein; and

(iv) diminution in the value of the Premises, Building or Office Building Project, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises, Building or Office Building Project.

(b) Lessee's Obligations.

Lessee, at its sole cost and expense, shall comply with all Environmental Requirements relating to the storage, use and disposal of all Hazardous Materials, including those materials identified in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30 ("Title 22") as the same may be amended from time to time. If Lessee does store, use or dispose of any Hazardous Materials, Lessee shall notify Lessor in writing at least ten (10) days prior to the first appearance of such materials on the Premises, Building or Office Building Project, and Lessor shall have the right to disapprove of Lessee's use thereof on the Premises (provided that Lessor's failure to disapprove thereof shall not constitute Lessor's approval thereof or excuse Lessee from complying with the terms of this paragraph 45), and Lessee's failure to so notify Lessor shall constitute a default under this Lease. Lessee shall be solely responsible for and shall protect, defend, indemnify, and hold Lessor, its agents and contractors harmless from and against all Environmental Damages arising out of or in connection with the storage, use and disposal of Hazardous Materials by Lessee, its officers, employees, agents,

representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees. If the presence of Hazardous Materials on the Premises, Building or Office Building Project caused or permitted by Lessee results in contamination or deterioration of water or soil resulting in a level of contamination greater than the levels established by any governmental agency having jurisdiction over such contamination, then Lessee shall, at its sole cost and expense, promptly take any and all action necessary to clean up such contamination if required by law or as a condition to the issuance or continuing effectiveness of any governmental approval which relates to the use of the Premises, Building or Office Building Project. If at any time prior to the expiration of the Lease term, Lessor shall reach a reasonable good faith determination that Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees have at any time violated any Environmental Requirements, discharged any Hazardous Material onto the Premises, Building or Office Building Project, or surrounding areas or otherwise subjected Lessor or the Office Building Project to liability for Environmental Damages, then Lessor shall have the right to require Lessee to conduct appropriate tests of water and soil and to deliver to Lessor the result of such tests to demonstrate that no contamination in excess of legally permitted levels has occurred as a result of Lessee's use of the Premises, Building or Office Building Project. If the presence of Hazardous Materials on the Premises, Building or office Building Project is caused or permitted by Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees such that Lessor or Lessee becomes obligated to conduct the necessary clean-up of such contamination as required above, then, Lessee shall further be solely responsible for, and shall protect, defend, indemnify and hold Lessor, its agents and contractors harmless from and against all claims, costs and liabilities, including actual attorneys' fees, expert witness fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Premises, Building or office Building Project and any other property of whatever nature to conditions which existed prior to Lessee's use thereof and which are within acceptable levels according to all Environmental Requirements or any other Federal, State or local governmental requirements. Lessee's obligations hereunder shall survive the expiration or earlier termination of this Lease.

46. INTENTIONALLY OMITTED.

47. AUTHORITY. Lessee and Lessor, and each individual executing this Lease on behalf of such entity, represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity. Lessee and Lessor shall, within thirty (30) days after execution of this Lease, deliver to one another evidence of such authority.

48. CONFLICT. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the computer-generated, typewritten or handwritten provisions, if any, shall be controlled by the computer-generated, typewritten or handwritten provisions.

49. NO OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

50. INTENTIONALLY OMITTED.

51. MULTIPLE PARTIES. If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein, the obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.



52. INTENTIONALLY OMITTED.

53. ATTACHMENTS. Attached hereto are the following documents which constitute a part of this Lease:

EXHIBIT A -- Premises

EXHIBIT B -- Legal Description

EXHIBIT C -- Rules and Regulations

EXHIBIT D -- Signage Plan

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

LESSOR

LESSEE

CITADEL REALTY, INC

FIDELITY FEDERAL BANK, FSB

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_

Executed at \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

on \_\_\_\_\_

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: President

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: Corporate Properties Department

EXHIBIT A

STANDARD OFFICE LEASE

FLOOR PLAN

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EXHIBIT C

RULES AND REGULATIONS FOR

STANDARD OFFICE LEASE

TO THE EXTENT ANY PROVISION OF THESE RULES AND REGULATIONS CONFLICTS WITH THE TERMS OF THE LEASE, THE PROVISIONS OF THE LEASE SHALL PREVAIL.

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.

2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.

3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Office Building Project.

4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.

5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.

6. No sign, advertisement or notice shall be displayed, printed or affixed on or to the Premises or to the outside or inside of the Building or so as to be visible from outside the Premises or Building without Lessor's prior written consent. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Lessee by Lessor or by a person selected by Lessor and in a manner and style acceptable to Lessor.

7. The sidewalks, halls, passages, exits, entrances, elevators and stairways and other portions of the common areas shall not be obstructed by Lessee or used for any purpose other than for ingress and egress from Lessee's Premises.

8. Toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

9. Lessee shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, ceilings or floor or in any way deface the Premises nor shall Lessee suffer or permit any thing in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.

10. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building, except for the existing ground floor walk-in vault. The times and manner of moving the same in and out of the Building shall be prescribed by Lessor, and all such moving must be done under the supervision of Lessor. Lessor may exclude from the Building any such heavy or bulky equipment or articles, the weight of which may exceed the floor load for which the Building is designed, or such equipment or articles as may violate any provisions of the Lease of which these rules and regulations are a part. Lessee shall not use any machinery or other bulky articles on the Premises, even though its installation may have been permitted, which may cause any noise, or jar, or tremor in the floors or walls, or which by its weight might injure the floor of the Building. Safes or other heavy equipment shall, as considered necessary by Lessor, stand on a platform of such thickness as is necessary to properly distribute the weight.

11. Lessee shall not use or keep in the Premises, Building or Office Building Project any kerosene, gasoline or inflammable, explosive or combustible fluid or material, or use any method of heating or air-conditioning other than that supplied by Lessor.

12. Lessee shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Lessor.

13. Lessee shall cooperate with Lessor in obtaining maximum effectiveness of the cooling system by closing drapes when the sun's rays fall directly on windows of the Premises. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system. Lessee shall not tamper with or change the setting of any thermostats or control valves.

14. The Premises shall not be used for manufacturing or for the storage of merchandise. Lessee shall not, without Lessor's prior written consent, occupy or permit any portion of the Premises to be occupied or used for the manufacture or sale of liquor or tobacco in any form, or as a barber or manicure shop, or as an employment bureau. The Premises shall not be used for lodging or sleeping or for any improper, objectionable or immoral purpose. No auction shall be conducted on the Premises.

15. Lessee shall not make, or permit to be made, any unseemly or disturbing noises, or disturb or interfere with occupants of the Building, the Office Building Project or neighboring buildings or premises or those having business with it by the use of any musical instrument, radio, phonographs or unusual noise, or in any other way.

16. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises, and no cooking (except in microwave ovens for consumption by Lessee's employees) shall be done or permitted by any lessee in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for lessees, their employees and visitors shall be permitted. No lessee shall cause or permit any unusual or objectionable odors to be produced in or permeate from or throughout the Premises.

17. The sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by any lessee, nor shall any bottles, parcels or other articles be placed on the windowsills.

18. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any lessee, nor shall any changes be made in existing locks or the mechanisms thereof unless Lessor is first notified thereof, gives written approval, and is furnished a key therefor. Each lessee must, upon the termination of its tenancy, give the Lessor all keys of stores, offices, or toilets and toilet rooms, either furnished to, or otherwise procured by, such lessee, and in the event of the loss of any keys so furnished, such lessee shall pay Lessor the cost of replacing the same or of changing the lock or locks opened by such key if Lessor shall deem it necessary to make such change.

19. Lessor shall have the right to prohibit any advertising by any lessee which, in Lessor's opinion, tends to impair the reputation of the Building or the Office Building Project or its desirability as an office building and upon written notice from Lessor any lessee shall refrain from and discontinue such advertising.

20. Any person employed by any lessee to do janitorial work shall, while in the Building or the Office Building Project and outside of the Premises, be subject to and under the control and direction of the office of the Office Building Project (but not as an agent or servant of Lessor, and the lessee shall be responsible for all acts of such persons).

21. No air conditioning unit or other similar apparatus shall be installed or used by any lessee without the prior written consent of Lessor. Lessee shall pay the cost of all electricity used for air conditioning in the Premises if such electrical consumption exceeds normal office requirements or is attributable to after hours use, regardless of whether additional apparatus is installed pursuant to the preceding sentence.

22. There shall not be used in any space, or in the public halls of the Building, either by any lessee or others, any hand trucks except those equipped with rubber tires and side guards.

23. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be florescent and/or of a quality, type, design and bulb color approved by Lessor. Lessee shall not permit the consumption in the Premises of an average of more than 21/2 watts per net usable square foot in the Premises in respect of office lighting nor shall Lessee permit the consumption in the Premises of more than 11/2 watts per net usable square foot of space in the Premises in respect of the power outlets therein, at any one time. In the event that such limits are exceeded, Lessor shall have the right to remove any lighting fixture or any florescent tube or bulb therein as it deems necessary and/or to charge Lessee for the cost of the additional electricity consumed.

24. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.

25. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Office Building Project.

26. Furniture, significant freight and equipment shall be moved into or out of the Building only with Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.

27. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.

28. Lessor reserves the right to close and lock the Building on Saturdays, Sundays and legal holidays, and on other days between the hours of 8 P.M. and 6:30 A.M. of the following day, or such other hours as Lessor may determine. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely

locking any doors it may have opened for entry and shall be required to pay such fee for HVAC and other services as may be charged by Lessor.

29. No window coverings, shades or awnings shall be installed or used by Lessee.

30. No Lessee, employee or invitee shall go upon the roof of the Building.

31. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.

32. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.

33. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent, other than those currently on the Premises for the exclusive use of Lessee and its employees and any replacements thereof.

34. The Premises shall not be used for lodging or manufacturing.

35. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.

36. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.

37. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.

38. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

39. All doors opening onto public corridors shall be kept closed, except when being used for ingress and egress.

40. The requirements of lessees will be attended to only upon application to the Office of the Building.

41. Canvassing, soliciting and peddling in the Building are prohibited and each lessee shall cooperate to prevent the same.

#### PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."



2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.

4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.

5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite locations(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.

6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.

8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.

9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.

10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.

11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.

12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

13. Lessor or its agent may tow or otherwise remove any vehicles which are parked illegally in the parking areas, which are parked in the parking areas for more than seventy-two (72) consecutive hours without Lessor's prior written consent or which constitute a nuisance or annoyance to other users of the Office Building Project or parking areas. Such towing shall be at the sole cost and expense of the lessee which is in any way responsible for the presence of such vehicle in the parking area (for example, if the vehicle is parked by any particular lessee's invitee, customer or employer, such lessee shall be responsible for the cost of towing such vehicle).

EXHIBIT C

WORK LETTER TO STANDARD OFFICE LEASE

Dated: \_\_\_\_\_

By and Between: \_\_\_\_\_

1. The Premises shall be constructed in accordance with Lessor's Standard Improvements, which are described on Schedule C-1 attached hereto.

2. COMPLETION OF IMPROVEMENTS

Lessor shall construct and complete the Premises substantially in accordance with the plans and specifications prepared by \_\_\_\_\_, dated \_\_\_\_\_, consisting of sheets \_\_\_\_\_.

3. PREPARATION OF PLANS AND SPECIFICATIONS

Within \_\_\_\_\_ days after the date of this Lease, Lessor shall prepare at its cost and deliver to Lessee for its approval \_\_\_\_\_ copies of preliminary plans and specifications for the completion of the Premises, which plans and specifications shall itemize the work to be done by each party, including a cost estimate of any work required of Lessor in excess of Lessor's Standard Improvements. Lessee shall approve said preliminary plans and specifications and preliminary cost estimate or specify with particularity its objection thereto within \_\_\_\_\_ days following receipt thereof. Failure to so approve or disapprove within said period of time shall constitute approval thereof. If Lessee shall reject said preliminary plans and specifications either partially or totally, and they cannot in good faith be modified within ten (10) days after such rejection to be acceptable to Lessor and Lessee, this Lease shall terminate and neither party shall thereafter be obligated to the other party for any reason whatsoever having to do with this Lease, except that Lessee shall be refunded any security deposit or prepaid rent. The plans and specifications, when approved by Lessee, shall supersede any prior agreement concerning the Improvements.

4. CONSTRUCTION

If Lessor's cost of constructing the Improvements in the Premises exceeds Lessor's Standard Improvements, Lessee shall pay to Lessor in cash before the commencement of such construction a sum equal to such excess.

If the final plans and specifications are approved by Lessor and Lessee and pays Lessor for such excess, then Lessor shall, at its sole cost and expense, construct the Improvements substantially in accordance with said approved final plans and specifications and all applicable rules, regulations, laws or ordinances.

5. COMPLETION

5.1 Lessor shall obtain a building permit to construct the Improvements as soon as possible.

5.2 Lessor shall complete the construction of the Improvements as soon as reasonably possible after the obtaining of necessary building permits.

5.3 The term "Completion," as used in this Work Letter, is hereby defined to mean the date the building department of the municipality having jurisdiction of the Premises shall have made a final inspection of the Improvements and authorized a final release of restrictions on the use of public utilities in connection therewith and the same are in a broom-clean condition.

5.4 Lessor shall use its best efforts to achieve Completion of the Improvements on or before the Commencement Date set forth in paragraph 1.5 of the Basic Lease Provisions or within one hundred eighty (180) days after Lessor obtains the building permit from the applicable building department, whichever is later.

5.5 In the event that the Improvements or any portion thereof have not reached Completion by the Commencement Date, this Lease shall not be invalid, but rather Lessor shall complete the same as soon thereafter as is possible and Lessor shall not be liable to Lessee for damages in any respect whatsoever.

5.6 If Lessor shall be delayed at any time in the progress of the construction of the Improvements or any portion thereof by extra work, changes in construction ordered by Lessee, or by strikes, lockouts, fire, delay in transportation, unavoidable casualties, rain or weather conditions, governmental procedures or delay, or by any other cause beyond Lessor's control, then the Commencement Date established in paragraph 1.5 of the Lease shall be extended by the period of such delay.

EXHIBIT D

1455 Ventura Boulevard, Sherman Oaks, California

Scope of Work for the Restoration of the Above Referenced Property

EARTHQUAKE REPAIRS/STRUCTURAL DRAWINGS

MacKintosh & MacKintosh  
dated May 16, 1994  
Delta Drawings sheets 1-12

FIDELITY FEDERAL BANK BRANCH

Architectural Drawings by Shappell & Jennings  
dated May 27, 1994; revised July 18, 1994  
Sheets T-1, T-2.  
A-1, A-2, A-3, A-4, A-5, A-6, A-7

LSW Engineers  
dated May 27, 1994  
Sheets P-1, P-2, P-3.  
M-1, M-2, M-3.  
E-1, E-2, E-3, E-4, E-5.

HVAC EQUIPMENT REPLACEMENT

V & M Electrical Engineers  
dated June 10, 1994  
Sheets E-1, E-2

WHITE, ZUCKERMAN, WARSAVSKY & LUNA -- Common Areas, Restrooms -- 2nd and 3rd  
Floors, 2nd Floor Corridor, and ATM Installation

Ridgway & Associates Architects  
dated June 1, 1994; revised June 13, 1994  
Sheets ML1, 3.1, 3.2, 3.3, 3.4.  
D.101, D.102, D.201.  
PD101, PD301, PD302, PD201, PD202.  
E-1, E-2, E-3, E-4.  
M-1, M-2.  
ATM.101, ATM.102, ATM.103.  
SP1, SP2, SP3, SP4.

The finish schedule for the Branch and common areas, including the lobby, has not been submitted or approved as of this date. The optionee will be presented with these finish schedules for the optionee's consent which will not be unreasonably withheld.

EXHIBIT G

SERVICE CONTRACTS

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600 N. Brand Boulevard, Glendale

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Elevators Maintenance	United States Elevator Corp. 7711 Paramount Boulevard Pico Rivera, CA 90660
Emergency Generator Maintenance	Hill's Generator Systems 775 W. 16th Street Costa Mesa, CA 92627
Fire Extinguishers Annual Maintenance	Aldis Fire Protection 17251 Orozco Street Granada Hills, CA 91344
Fire Sprinkler System Maintenance	Tele-Fire of California, Inc. 3035 N. Coolidge Avenue Los Angeles, CA 90039
Janitorial Services	Enterprise Building Maintenance P.O. Box 1128 Pasadena, CA 91102
Landscape Services	David Ioppini 22936 Tupelo Ridge Drive Valencia, CA 91354
Rubbish Pick-up	America Waste Industries P.O. Box 23316 Los Angeles, CA 90023
Security Patrol (Night-time)	Armguard P.O. Box 4754 Glendale, CA 91222

14455-75 Ventura Boulevard, Sherman Oaks  
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Elevators Maintenance	United States Elevator Corp. 7711 Paramount Boulevard Pico Rivera, CA 90660
Exterminator	Western Exterminator 14708 Keswick Street Van Nuys, CA 94105
Fire Extinguishers Annual Maintenance	Aldis Fire Protection 17251 Orozco Street Granada Hills, CA 91344
Janitorial Services	Enterprise Building Maintenance P.O. Box 1128 Pasadena, CA 91102
Landscape Services	David Ioppini 22936 Tupelo Ridge Drive Valencia, CA 91354
Rubbish Pick-up	Waste Management of Sun Valley P.O. Box 549 Sun Valley, CA 91352
Time and Temperature Signs Maintenance	Integrated Sign Associates 7020 Hayvenhurst Avenue, Suite F Van Nuys, CA 91406

STANDARD OFFICE LEASE-NET

1. BASIC LEASE PROVISIONS ("Basic Lease Provisions").

1.1 PARTIES: This Lease, dated, for reference purposes only, \_\_\_\_\_, 1994, is made by and between Citadel Realty, Inc. (herein called "Lessor") and Fidelity Federal Bank, a Federal Savings Bank (herein called Lessee").

1.2 PREMISES: The entire Building (as described in paragraph 1.3), including the Ground Floor, consisting of 7,079 BOMA rentable square feet and the second and third floors, consisting of approximately 19,200 BOMA rentable square feet, more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the "Premises").

1.3 BUILDING: Real property and improvements thereon commonly described as being located at 14455-75 Ventura Boulevard, in the City of Sherman Oaks, County of Los Angeles, State of California, as more particularly described in Exhibit "B" hereto, and as defined in paragraph 2. The Premises are sometimes referred to herein as the Building or the Office Building Project.

1.4 PERMITTED USE: Retail bank branch on the ground floor of the Building and general office use on the second and third floors of the Building, subject to paragraph 6.

1.5 TERM: Commencing on \_\_\_\_\_, 199\_\_ (the "Commencement Date") and ending on the later of (i) the date which is seven (7) years from the Commencement Date and (ii) the date of the expiration of that certain lease for space in the Premises with White, Zuckerman, Warsavsky & Luna, a California general partnership, attached hereto as Exhibit F.

1.6 BASE RENT: \$29,958.06 per month (26,279 rentable square feet x \$1.14 per square foot), payable on the first day of each month, in advance, commencing on the Commencement Date, per paragraph 4.1.

1.7 BASE RENT INCREASE: On the date which is twelve (12) months from the Commencement Date and each twelve (12) months thereafter during the term of the Lease, the monthly Base Rent payable under paragraph 1.6 above shall be adjusted as provided in paragraph 4.3 below.

1.8 RENT PAID UPON EXECUTION: Same as paragraph 1.6.

1.9 SECURITY DEPOSIT: One month's rent.

1.10 OPTION TO EXTEND TERM: Two (2) five-year options to extend the term of the Lease for the ground floor only, as described in paragraph 39.5.

2. PREMISES, PARKING AND COMMON AREAS.

2.1 PREMISES: The Premises are a portion of a building, herein sometimes referred to as the "Building" identified in paragraph 1.3 of the Basic Lease Provisions. "Building" shall include adjacent parking area used in connection therewith. The Premises, the Building and the Common Areas, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2. VEHICLE PARKING: So long as Lessee is not in default, and subject to the rules and regulations attached hereto as Exhibit C, and as established by Lessor from time to time, Lessee shall be entitled to use all of the parking spaces in the Office Building Project free of charge; provided, however, that Lessee shall pay any and all taxes or surcharges applicable to such parking use which may be levied by any state or local governmental agency from time to time.

2.2.1 If Lessee commits, permits or allows any of the prohibited activities, described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.3 COMMON AREAS - DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Office Building Project that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and of other lessees of the Office Building Project and their respective employees, suppliers, shippers, customers and invitees, including, but not limited to, common entrances, lobbies, corridors, stairways and stairwells, public restrooms, elevators, escalators, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, ramps, driveways, landscaped areas and decorative walls.

2.4 COMMON AREAS - RULES AND REGULATIONS. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit C with respect to the Office Building Project and Common Areas, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees, their agents, employees and invitees of the Office Building Project.

2.5 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Building interior and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, discretion of traffic, decorative walls, landscaped areas and walkways; provided, however, that Lessor shall at all times provide the parking facilities required by applicable



law (but in no event shall Lessor be required to provide parking spaces in excess of those currently existing) and that reasonable access to the Building shall always remain available.

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available (without any abatement of rent to Lessee);

(c) To designate other land and improvements outside the boundaries of the Office Building Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Office Building Project;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Office Building Project, or any portion hereof;

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Office Building Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

### 3. TERM.

3.1 TERM. The term and Commencement Date of this Lease shall be as specified in paragraph 1.5 of the Basic Lease Provisions.

3.2 LESSEE IN POSSESSION. Lessee hereby acknowledges that it has possession of the Premises as of the Commencement Date, although the Premises are not currently habitable. The parties hereby acknowledge and agree that the Premises were substantially damaged in the January 17, 1994 Northridge earthquake and that it will be Lessee's responsibility under this Lease to repair and rehabilitate the Premises and to complete the tenant improvements required for Lessee's occupancy under that certain Lease with White, Zuckerman, Warsavsky & Luna, a California general partnership, attached hereto as Exhibit "F" for occupancy by such tenant, all in accordance with any and all applicable laws, regulations and requirements of federal, state and local governmental entities. All such repair and rehabilitation shall be performed at Lessee's sole cost and expense in accordance with the terms and conditions set forth on Exhibit "D" hereto.

4. RENT.

4.1 BASE RENT. Subject to adjustment as hereinafter provided in paragraph 4.3, and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor commencing with the Commencement Date the Base Rent for the Premises set forth in paragraph 1.6 of the Basic Lease Provisions, without any offset or deduction whatsoever. Lessee shall pay Lessor upon execution hereof the advance Base Rent described in paragraph 1.8 of the Basic Lease Provisions. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

4.2 OPERATING EXPENSES. Subject to any provisions of this Lease requiring Lessor to maintain or repair the Premises, Lessee shall pay or otherwise be responsible for all expenses associated with the operation of the Premises during the term of this Lease.

4.3 RENT INCREASE.

4.3.1 At the times set forth in paragraph 1.7 of the Basic Lease Provisions, the monthly Base Rent payable under paragraph 4.1 of this Lease shall be adjusted by the lesser of (i) the increase, if any, in the Consumer Price index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers, (1982-84=100), "All Items," for LA/Anaheim/Riverside area, herein referred to as "C.P.I.," since the date of this Lease and (ii) three percent (3%), but in no event shall such new monthly Base Rent be less than the Base Rent payable for the month immediately preceding the date for the rent adjustment.

4.3.2 The increase in C.P.I. set forth in paragraph 4.3.1(i) shall be calculated as follows: The Base Rent payable for the first month of the term of this Lease, as set forth in paragraph 4.1 of this Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences.

4.3.3 In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculations. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in the county in which the Premises are located, in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties, notwithstanding one party failing to appear after due notice of the proceeding. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

4.3.4 INTENTIONALLY OMITTED.

4.3.5 Lessee shall continue to pay the rent at the rate previously in effect until the increase, if any, is determined. Within thirty (30) days following the date on which the increase is determined, Lessee shall make such payment to Lessor as will bring the increased rental current, commencing with the effective date of such increase through the date of any rental installments then due. Thereafter the rental shall be paid at the increased rate.

4.3.6 At such time as the amount of any change in rental required by this Lease or any extension thereof (other than as set forth in paragraph 4.3.1) is known or determined, Lessor and Lessee shall execute an amendment to this Lease setting forth such change. Failure to execute any such amendment shall not affect Lessee's obligations to pay the increased rental.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the security deposit set forth in paragraph 1.9 of the Basic Lease Provisions as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor

deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. If the monthly Base Rent shall, from time to time, increase during the term of this Lease, Lessee shall, at the time of such increase (other than as set forth in paragraph 4.3.1), deposit with Lessor additional money as a security deposit so that the total amount of the security deposit held by Lessor shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial Base Rent set forth in paragraph 1.6 of the Basic Lease Provisions. Lessor shall not be required to keep said security deposit separate from its general accounts. If Lessee performs all of the Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) within thirty (30) days after the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit, and under no circumstances shall Lessor be required to keep the Security Deposit separate from its other funds or in an interest-bearing account, nor shall Lessee be entitled to any interest on such amounts regardless of whether or not the Security Deposit is deposited in an interest-bearing account.

6. PERMITTED USE.

6.1 PERMITTED USE. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.4 of the Basic Lease Provisions and for no other purpose.

6.2 COMPLIANCE WITH LAW.

(a) Lessor makes no representation or warranty to Lessee regarding the condition of the Premises or with respect to whether or not the Premises, or the use for which Lessee will occupy the Premises, will violate any covenants or restrictions of record, or any applicable building code, regulation, law or ordinance in effect on the Lease term Commencement Date or at any other time.

(b) Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Office Building Project.

6.3 CONDITION OF PREMISES.

(a) Lessee acknowledges that it is in possession of the Premises on the Commencement Date, and Lessor makes no representation or warranty regarding the condition of the Premises.

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that

the Premises are suitable for its intended use, and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Office Building Project for the conduct of Lessee's business. Lessee acknowledges that the Premises are not and will not be in habitable condition on the Commencement Date.

7. MAINTENANCE, REPAIRS, ALTERATIONS AND COMMON AREA SERVICES.

7.1 LESSEE'S OBLIGATIONS. Subject to any provisions of this Lease requiring Lessor to maintain or repair the Premises, Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, structural and non-structural (whether or not such portion of the Premises requiring repair or the means of repairing the same are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of , and for the maintenance, security and/or monitoring of, the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, at Lessee's sole cost and expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 LESSOR'S OBLIGATIONS. Except for the warranties and agreements of Lessor relating to maintenance and repair herein, it is intended by the parties that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon, or the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under paragraph 7.1 hereof. It is the intention of the parties that the terms of this Lease govern the respective obligations of the parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of, any need repairs.

7.3 ALTERATIONS AND ADDITIONS.

(a) Lessee shall not, without Lessor's prior written consent, which consent shall not be unreasonably withheld, make any alterations, improvements additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project; provided, however, that without the prior consent of Lessor, Lessee may make any non-structural alteration, improvement, addition, Utility Installation or repair to the interior of the

Premises as long as it is not visible from the outside, does not involve puncturing, relocating or removing the roof or any existing walls, and does not require the procurement of a building permit. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the Term, Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense; provided, however, that Lessee shall have no obligation to remove the walk-in vault on the ground floor. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor as has been expressly approved by Lessor, and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. In addition, Lessee shall require all contractors and subcontractors performing work at the Premises to carry workers' compensation insurance and liability insurance in an amount reasonably acceptable to Lessor, and Lessee shall provide copies of all such workers' compensation and liability insurance policies or certificates to Lessor. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor (unless such approval is not required pursuant to the first sentence of this paragraph 7.3(a)), or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from the applicable governmental agencies, if required, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Office Building Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. Lessee shall at all times keep the Premises, the Building and the Office Building Project free and clear of liens attributable in any way to a work of improvement commissioned by Lessee, or to the acts or omissions of Lessee, any of Lessee's employees, agents, or contractors, or any of their employees, agents or sub-contractors. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Lessor or the Premises, the Building or the Office Building Project, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount not less than one hundred ten percent (110%) of the amount of such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys' fees and costs in participating in such action if Lessor shall decide it is to Lessor's best interest so to do.

(e) All alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation, and lighting and

telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the lease term, unless Lessor requires their removal pursuant to paragraph 7.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 7.3(e), Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2.

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility Installations for which a building permit is required.

(g) Lessee shall be allowed to maintain any automatic teller machines (ATM) existing on the Premises on the Commencement Date. In addition, Lessee may install one night depository and/or one or more ATM(s), protruding through the exterior walls of the Office Building Project on the Premises, at any time during the Term of the Lease, subject to compliance with all applicable laws and regulations and to Lessor's prior written approval, which shall not be unreasonably withheld. Lessor's approval shall not be deemed unreasonably withheld if based on concerns regarding the impact of the installation of the night depository or ATM(s) upon the structure or aesthetics of the Office Building Project, the projected traffic flow or the safety of Lessor's and Lessee's employees, representatives and invitees. Subject to Lessor's ability to withhold approval for the installation of the night depository and the ATM(s) as set forth above, Lessor shall cooperate with Lessee to install the night depository and ATM(s) in such a manner as to provide adequate security for night depository and ATM users. At the expiration of the Term, Lessor may require the removal of any depository and ATM(s) installed by Lessee and the restoration of the Premises to their prior condition.

(h) On the last day of the Term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as the Premises were in on the day Lessee received its Certificate of Occupancy for the Premises, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall paneling, ceilings and plumbing on the Premises and in good operating condition.

7.4 UTILITY ADDITIONS. Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, security systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.



8. INSURANCE; INDEMNITY.

8.1 LIABILITY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease a policy of Comprehensive General Liability insurance utilizing an Insurance Services Office standard form with Broad Form General Liability Endorsement (GL0404), or equivalent, in an amount of not less than \$2,000,000 per occurrence of bodily injury and property damage combined or in a greater amount as reasonably determined by Lessor and shall insure Lessee with Lessor as an additional insured against liability arising out of the use, occupancy or maintenance of the Premises. Compliance with the above requirement shall not, however, limit the liability of Lessee hereunder.

8.2 LIABILITY AND EARTHQUAKE INSURANCE-LESSOR. Although Lessor shall not be required to maintain any liability or earthquake insurance, any premiums for such insurance maintained by Lessor relating to the Premises, the Building or the Office Building Project shall be reimbursed by Lessee.

8.3 PROPERTY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, replacement cost all-risks insurance, including without limitation fire and extended coverage insurance, with vandalism and malicious mischief, sprinkler leakage and earthquake sprinkler leakage endorsements, in an amount sufficient to cover not less than 100% of the full replacement costs, as the same may exist from time to time, of all of Lessee's personal property, fixtures, equipment and tenant improvements, less the amount of such standard deductibles as determined by Lessee.

8.4 PROPERTY INSURANCE-LESSOR. Lessor shall obtain and keep in force during the term of this Lease, at the expense of Lessee, a policy or policies of insurance covering loss or damage to the Office Building Project improvements, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof, including the cost of compliance with all federal, state or local governmental requirements applicable to the Office Building Project, and with such additional endorsements as may be reasonably required by a lender, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass, and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Office Building Project. In addition, Lessor shall obtain and keep in force, during the term of this Lease, a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all other expenses payable by Lessee to Lessor under this Lease for said period. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these paragraphs 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Office Building Project over what it was immediately prior to the commencement of the term of this Lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee. The cost of all insurance premiums shall be paid by Lessee within fifteen (15) business days after receipt of invoices for such premiums from Lessor. Notwithstanding anything to the contrary in this paragraph 8, Lessee shall have the right to approve in advance the cost of said insurance premiums for which Lessee is obligated to reimburse Lessor hereunder, which approval shall not be unreasonably withheld. Lessee's disapproval of the cost of such insurance premiums shall not be unreasonable if the cost of insurance premiums charged by Lessor is at least ten percent (10%) greater than the cost at which Lessee could obtain "substantially similar" insurance policies, considering insurance rating, quality of the insurance carrier, coverage provided by the policy, amount of deductibles and other relevant factors. If Lessee disapproves

of the cost of Lessor's insurance hereunder or at any time at the election of Lessor, Lessee shall procure substantially similar real property insurance and Lessor shall be named as loss payee on such real property insurance policies of Lessee required hereunder.

8.5 EARTHQUAKE INSURANCE. In the event that Lessor does not elect to purchase earthquake insurance under paragraph 8.2 hereof, Lessee may, at its sole cost and expense, obtain earthquake insurance covering the Premises for the sole benefit of Lessee with Lessor as an additional insured.

8.6 INSURANCE POLICIES. Lessee shall deliver to Lessor copies of liability insurance policies required under paragraph 8.1 or certificates evidencing the existence and amounts of such insurance within seven (7) days after the Commencement Date of this Lease.

Each policy required to be obtained by Lessee hereunder shall: (a) be issued by insurers authorized to do business in the state in which the Building is located and rated not less than financial class X, and not less than policyholder rating A, in the most recent version of Best's Key Rating Guide, or the equivalent rating in any other comparable guide selected by Lessor (provided that, in any event, the same insurance company shall provide the coverages described in paragraphs 8.1 and 8.3 above); (b) be in form reasonably satisfactory from time to time to Lessor; (c) name Lessee as named insured thereunder and shall name Lessor and, at Lessor's request, Lessor's mortgagees and ground lessors of which Lessee has been informed in writing, as additional insureds (d) not have a deductible amount exceeding Twenty-Five Thousand Dollars (\$25,000.00); (e) specifically provide that the insurance afforded by such policy for the benefit of Lessor and Lessor's mortgagees and ground lessors shall be primary, and any insurance carried by Lessor or Lessor's mortgagees and ground lessors shall be excess and non-contributing; (f) except for worker's compensation insurance, contain an endorsement that the insurer waives its right to subrogation as described in paragraph 8.7 below; and (g) contain an undertaking by the insurer to notify Lessor (and the mortgagees and ground lessors of Lessor who are named as additional insureds) in writing not less than ten (10) days prior to any material change, reduction in coverage, cancellation or other termination thereof. Lessee agrees to deliver to Lessor, as soon as practicable after the placing of the required insurance, but in no event later than ten (10) days after the date Lessee takes possession of all or any part of the Premises, certified copies of each such insurance policy (or certificates from the insurance company evidencing the existence of such insurance and Lessee's compliance with the foregoing provisions of this paragraph 8). Lessee shall cause replacement policies or certificates to be delivered to Lessor not less than ten (10) days prior to the expiration of any such policy or policies. If any such initial or replacement policies or certificates are not furnished within the time(s) specified herein, Lessee shall be deemed to be in material default under this Lease without the benefit of any additional notice or cure period provided herein, and Lessor shall have the right, but not the obligation, to procure such policies and certificates at Lessee's expense.

8.7 WAIVER OF SUBROGATION. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

8.8 INDEMNITY. Lessee shall indemnify and hold harmless Lessor and its officers, directors, contractors, agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims, actions, liabilities, costs, penalties and expenses of any kind and nature for damage to the person (including death) or property of anyone or any entity arising from Lessee's use of the Office Building Project, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims,

costs and expenses arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, employees or invitees and from and against all costs, attorneys' fees, expenses and liabilities incurred by Lessor as the result of any such use, conduct, activity, work, things done, permitted or suffered, breach, default or negligence, and in dealing reasonably therewith, including but not limited to the defense or pursuit of any claim or any action or proceeding involved therein; and in case any action or proceeding be brought against Lessor by reason of any such matter, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon or about the Office Building Project arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. Notwithstanding anything to the contrary contained in this paragraph 8.8, Lessee shall not indemnify Lessor or any other person from any loss, liability or expense to the extent that a cause was (i) active negligence or misconduct on the part of Lessor or any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such loss, liability, expense or defect was the result of any negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.9 EXEMPTION OF LESSOR FROM LIABILITY. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Office Building Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Office Building Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Office Building Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible, Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Office Building Project, nor from the failure of Lessor to enforce the provisions of any other lease of any other lessee of the Office Building Project. Notwithstanding anything to the contrary contained in this paragraph 8.9, nothing contained herein shall exempt Lessor from liability which it otherwise would have, to the extent that it is attributable to (i) active negligence or misconduct on the part of Lessor or any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such liability or defect was the result of negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.10 NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified in this paragraph 8 are adequate to cover Lessee's property or obligations under this Lease.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "Premises Damage" shall mean if the Premises are damaged or destroyed to any extent.

(b) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent (50%) of the then Replacement Cost of the Building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%) or more of the then Replacement Cost of the Building.

(d) "Office Building Project Buildings" shall mean all of the buildings on the Office Building Project site.

(e) "Office Building Project Buildings Total Destruction" shall mean if the Office Building Project Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent (50%) or more of the then Replacement Cost of the Office Building Project Buildings.

(f) "Insured Loss" shall mean damage or destruction which was caused by an event either required to be covered by the insurance described in paragraph 8 or for which no coverage is required by the insurance described in paragraph 8, but for which Lessor is nonetheless insured. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(g) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring, excluding all improvements made by lessees, other than those installed by Lessor at Lessee's expense.

9.2 PREMISES DAMAGE; PREMISES BUILDING PARTIAL DAMAGE.

(a) Insured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Building Partial Damage, then Lessor shall, as soon as reasonably possible and to the extent insurance proceeds are available and the required materials and labor are readily available through usual commercial channels, at Lessor's expense, repair such damage (but not Lessee's fixtures, equipment or tenant improvements originally paid for by Lessee, unless Lessor, its employees, agents or representatives were responsible for such damage) to its condition existing at the time of the damage, and this Lease shall continue in full force and effect. Notwithstanding the foregoing, in the event that such Premises Building Partial Damage was caused by the negligent act or omission of Lessee, its agents, employees or contractors, Lessor shall be required to repair such damage only to the extent that insurance proceeds are available to cover the cost of such repair, and any portion of the cost of repair for which insurance proceeds are unavailable shall be borne by Lessee.

(b) Uninsured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is not an Insured Loss and which falls within the classification of

Premises Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

9.3 PREMISES BUILDING TOTAL DESTRUCTION; OFFICE BUILDING PROJECT TOTAL DESTRUCTION. Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage, whether or not it is an insured Loss, which falls into the classifications of either (i) Premises Building Total Destruction, or (ii) Office Building Project Total Destruction, then Lessor may at Lessor's option either (x) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements unless Lessor, its employees, agents or representatives were responsible for such damage, and this Lease shall continue in full force and effect, or (y) give written notice to Lessee within sixty (60) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage.

#### 9.4 DAMAGE NEAR END OF TERM.

(a) Subject to paragraph 9.4(b), if at any time during the last eighteen (18) months of the term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than thirty (30) days after the occurrence of an Insured Loss falling within the classification of Premises Damage during the last eighteen (18) months of the term of this Lease. If Lessee duly exercises such option during said thirty (30) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements unless Lessor, its employees, agents or representatives were responsible for such damage, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said thirty (30) day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said thirty (30) day period by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of said thirty (30) day period, notwithstanding any term or provision in the grant of option to the contrary.

9.5 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) If, in the event of Premises Damage, Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 9, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder (including Lessee's Share of Operating Expenses) for the period during which such damage, repair or restoration continues shall be abated to the extent in excess of rental interruption insurance or loss insurance proceeds received by Lessor and credited to Lessee for the Payment of rent hereunder, provided (i) the damage was not the result of the negligence of Lessee, and (ii) such abatement shall only be to the extent to which the Premises Damage interferes with Lessee's use of the Premises. Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this paragraph 9 or if Lessor elects to repair or restore the Premises or the Building under paragraph 9.2(b) and shall not immediately commence diligent repair or restoration efforts after such occurrence (including, without limitation, submitting applications for permits) or if Lessor shall not complete the restoration and repair (as evidenced by receipt of a certificate of occupancy or a temporary certificate of occupancy) within nine (9) months after such occurrence (unless such failure to complete the restoration and repair is delayed due to a force majeure event, in which case such nine (9) month period shall be extended by the number of days that Lessor was unable to conduct such repair and restoration efforts due to such force majeure event), Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion, respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice. Notwithstanding the foregoing, if Lessor believes that it will be unable to complete the restoration and repair of the Premises or the Building within nine (9) months from the date of such occurrence, Lessor shall so notify Lessee as soon as such determination is made by Lessor, and Lessee shall have the option to allow Lessor a longer period of time within which to complete the restoration or repair or to terminate the Lease upon ten (10) days written notice to Lessor.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specifications required.

9.6 TERMINATION-ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this paragraph 9, all advance rent and any advance payments made by Lessee to Lessor, less any amounts due and owing to Lessor under the Lease, shall be refunded to Lessee. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.7 WAIVER. Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the real property tax, as defined in paragraph 10.3, applicable to the Office Building Project subject to reimbursement by Lessee of such taxes within fifteen (15) business days of receipt of a copy of such tax bills, except as otherwise provided in paragraph 10.2.

10.2 ADDITIONAL IMPROVEMENTS. Lessee shall be responsible for paying any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Office Building Project by other lessees.

10.3 DEFINITION OF "REAL PROPERTY TAX." As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Office Building Project or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Office Building Project or in any portion thereof, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Office Building Project. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinabove included within the definition of "real property tax," or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a change in ownership, as defined by applicable local statutes for property tax purposes, of the Office Building Project or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such change of ownership, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

10.4 JOINT ASSESSMENT. If the improvements or property, the taxes for which are to be paid separately by Lessee under paragraph 10.2 or 10.5 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 PERSONAL PROPERTY TAXES.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES. Lessee shall provide heating, ventilation, air conditioning, and janitorial service as reasonably required, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use, and replacement light bulbs and/or florescent tubes and ballasts for standard overhead fixtures. Janitorial service shall be provided Monday through Friday with the exception of holidays

designated by Lessee. All such water, gas and electricity shall be available to the Premises 24 hours a day, seven (7) days a week for normal office purposes. Costs incurred by Lessor in providing such services shall be Operating Expenses. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services supplied and/or metered exclusively to the Premises together with any taxes thereon.

## 12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 13.1. "Transfer" within the meaning of this paragraph 12 shall include the transfer or transfers aggregating: (a) if Lessee is a corporation, more than fifty percent (50%) of the voting stock of such corporation or (b) if Lessee is a partnership, more than fifty percent (50%) of the profit and loss participation in such partnership. Notwithstanding anything to the contrary, Lessee may assign or sublet the Premises or any portion thereof to any affiliate or subsidiary of Lessee upon written notice to Lessor, but without Lessor's prior consent. Lessor hereby consents to the sublease of space on the third floor of the Building to White, Zuckerman, Warsavsky & Luna, a California general partnership, upon the terms and conditions set forth in that certain lease attached hereto as Exhibit "F". Lessee agrees that it is liable as lessor under such sublease.

### 12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the rent and other sums due Lessor hereunder including Lessee's Share of Operating Expenses, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment without being deemed to have consented thereto.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 of this Lease.

(d) If Lessee's obligations under this Lease have been guaranteed by third parties, then an assignment or sublease, and Lessor's consent thereto, shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(e) The consent by Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; provided, however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessee under this Lease or such sublease.



(f) In the event of any default under this Lease, Lessor may proceed directly against Lessee, any guarantors or anyone else responsible for the performance of this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(g) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgment that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

(h) The discovery of the fact that any financial statement relied upon by Lessor in giving its consent to an assignment or subletting was materially false shall, at Lessor's election, render Lessor's said consent null and void.

(i) In no event shall Lessee enter into a sublease or assignment of the ground floor of the Premises for any use other than as a retail bank branch or of the remainder of the Premises for any use other than general office use.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessee shall have the right to rely upon any such statement and request from Lessor, and that such sublessee shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or Lessor for any such rents so paid by said sublessee to Lessor.

(b) No sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. Any sublessee shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessor has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee under such sublease from the time of the exercise of said option to

the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) With respect to any subletting to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to the sublessee. Such sublessee shall have the right to cure a default of Lessee within five (5) business days after service of said notice of default upon such sublessee, and the sublessee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by the sublessee.

(f) Notwithstanding anything to the contrary contained in this paragraph 12, Lessor shall convey to Lessee in writing its approval or reasonable disapproval of any assignment or subletting, no more than fifteen (15) business days following receipt of Lessee's written request, along with any additional information and/or documentation reasonably requested by Lessor. Lessor's failure to respond to Lessee's request for approval of any assignment or subletting within such fifteen (15) day period shall be conclusively deemed an approval of such request.

12.4 LESSOR'S EXPENSES. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable costs and expenses incurred in connection therewith, including without limitation attorneys', architects', engineers' and other consultants' fees.

12.5 CONDITIONS TO CONSENT TO ASSIGNMENT. Lessor reserves the right to condition any approval to assign the entire Premises upon Lessor's determination that (i) the proposed assignee shall conduct a business on the Premises of a quality substantially equal to that of Lessee and consistent with the general character of the other occupants of the Premises and (b) the proposed assignee be at least as financially responsible as Lessee was expected to be at the time of the execution of this Lease or of such assignment, whichever is greater.

### 13. DEFAULT; REMEDIES.

13.1 DEFAULT. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee:

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of sixty (60) days or more, whether or not the rent is paid.

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 7.3(a),(b) or (d) (alterations), 12.1 (assignment or subletting), 13.1(a) (vacation or abandonment), 13.1(e) (insolvency), 13.1(f) (false statement), 16(a) (estoppel certificate), 30(b) (subordination), 33 (auctions), or 41.1 (easements), all of which are hereby deemed to be material, non-curable defaults without the necessity of any notice by Lessor to Lessee thereof.

(c) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written

notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) Lessee becoming a "debtor" as defined in 11 U.S.C. (S) 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

### 13.2 LESSOR'S REMEDIES.

(a) Termination. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the immediate option to terminate this Lease and all rights of Lessee hereunder. In the event that Lessor shall elect to so terminate this Lease, then Lessor may recover from Lessee:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonable avoided; plus

(iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease, including, but not limited to: attorneys' fees; brokers' commissions; the costs of refurbishment, alterations, renovation and repair of the Premises; and removal (including the repair of damage caused by such removal) and storage (or disposal) of Lessee's personal property, equipment, fixtures, Lessee's alterations, additions, leasehold improvements and any other items which Lessee is required under this Lease to remove but does not remove.

As used in subparagraphs (i) and (ii), above, the "worth at the time of award" is computed by allowing interest at the maximum interest rate which Lessor is permitted by law to charge to Lessee (the "Lease Rate"). As used in subparagraph (iii), above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Re-Entry Rights. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed, stored and/or disposed of pursuant to this Lease or any other procedures permitted by applicable law. No re-entry or taking possession of the Premises by Lessor pursuant to this paragraph 13.2(b), and no acceptance of surrender of the Premises or other action on Lessor's part, shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction.

(c) Continuation of Lease. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the right to continue this Lease in full force and effect, whether or not Lessee shall have abandoned the Premises. The foregoing remedy shall also be available to Lessor pursuant to California Civil Code Section 1951.4 and any successor statute thereof in the event Tenant has abandoned the Premises. In the event Lessor elects to continue this Lease in full force and effect pursuant to this paragraph 13.2(c), then Lessor shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due. Lessor's election not to terminate this Lease pursuant to this paragraph 13.2(c) or pursuant to any other provision of this Lease, at law or in equity, shall not preclude Lessor from subsequently electing to terminate this Lease or pursuing any of its other remedies.

(d) Rights and Remedies Cumulative. All rights, options and remedies of Lessor contained in this paragraph 13.2 and elsewhere in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease. Nothing in this paragraph 13.2 shall be deemed to limit or otherwise affect Lessee's indemnification of Lessor pursuant to any provision of this Lease.

13.3 DEFAULT BY LESSOR. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first Mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expenses or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, Operating Expenses, or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within fifteen (15) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

14. CONDEMNATION. If the Premises or any portion thereof or the Office Building Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expenses shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. INTENTIONALLY OMITTED.

16. ESTOPPEL CERTIFICATE.

(a) Each party (as "responding party") shall at any time upon not less than ten (10) business days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed, and (iii) in the case of Lessee, certify as to such other matters as may be requested by Lessor or by a prospective purchaser or encumbrancer of all or any part of the Office Building Project. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Office Building Project or of the business of Lessee.

(b) At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond, without any further notice to such party, or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, (iii) if Lessor is the requesting party, not more than one month's rent has been paid in advance, and (iv) if Lessor is the requesting party, there are no remaining obligations of the requesting party under this Lease yet to be performed.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a Lessee's interest in a ground lease of the Office Building Project, and except as expressly provided in this Lease, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. SEVERABILITY. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law or judgments from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease; provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

20. TIME OF ESSENCE. Time is of the essence with respect to the obligations to be performed under this Lease.

21. ADDITIONAL RENT. All monetary obligations of Lessee to Lessor under the terms of this Lease, including Lessee's obligations to reimburse Lessor for payment of property taxes and insurance and any other expenses payable by Lessee hereunder shall be deemed to be rent.

22. INCORPORATION OF PRIOR AGREEMENTS; AMENDMENTS. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that no real estate broker nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Office Building Project and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease.

23. NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail, and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. Mailed notices shall be deemed given upon actual receipt at the address required, or forty-eight hours following deposit in the mail, postage prepaid, whichever first occurs. In addition, a copy of all notices pertaining to any event of default, termination of tenancy, or any matters which may give rise to a dispute between the parties shall also be delivered to Lessee at: Fidelity Federal Bank, 600 North Brand Boulevard, P.O. Box 1631, Glendale, California 91209, Attention: Legal Department. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.

24. WAIVERS. No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

26. HOLDING OVER. If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that the rent payable shall be one hundred twenty percent (120%) of the rent payable immediately preceding the termination date of this Lease, and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

29. BINDING EFFECT; CHOICE OF LAW. Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California applicable to contracts to be wholly performed within such State.

30. SUBORDINATION.

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall, without the necessity of Lessee or any other party executing any additional documentation, be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be; provided, however, that Lessor must use best efforts to secure from lender a nondisturbance agreement containing provisions which are reasonable and customary for commercial leasing transactions. Lessee's failure to execute such documents within fifteen (15) business days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee.

31. ATTORNEYS' FEES.

31.1 If either party named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.



31.3 Lessor shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notices of default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such default.

32. LESSOR'S ACCESS.

32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs.

32.2 All activities of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forceable or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent. The holding of any auction on the Premises or Common Areas in violation of this paragraph shall constitute a material default of this Lease.

34. SIGNS. Lessee shall not place any additional permanent sign upon the Premises or the Office Building Project without Lessor's prior written consent; provided, however, that Lessee may replace any currently existing permanent sign upon the Premises with the consent of Lessor, which consent shall not be unreasonably withheld. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project. Notwithstanding the foregoing, Lessee shall be allowed to maintain, and Lessor hereby approves (subject to proof that such signs are properly permitted and in accordance with all local ordinances) of all permanent signs existing on the Premises and the Office Building Project as of the Commencement Date. Additionally, Lessee shall be entitled to affix its other customary signs, advertising placards, names, insignia, trademarks and other descriptive materials to the interior of the Premises in accordance with the signage plan attached hereto as Exhibit "E" (except that signs notifying Lessee's customers of branch holiday closings may be placed on the entrance doors to the Premises and the doors from the Premises to the Building lobby); provided that all such signs, advertising placards and other descriptive materials shall be commercially printed and shall occupy no more than ten percent (10%) of the interior surface area of the glass on the ground floor of the Premises.

35. MERGER. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

36. CONSENTS. Except for paragraphs 33 (auctions) and 34 (signs) hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

37. GUARANTOR. In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Lessee under this Lease.

38. QUIET POSSESSION. Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

39. OPTIONS.

39.1 DEFINITION. As used in this paragraph the word "Option" means the right or option to extend the term of this Lease or to renew this Lease.

39.2 OPTIONS PERSONAL. Each Option granted to Lessee in this Lease is personal to the original Lessee and may be exercised only by the original Lessee while occupying the Premises who does so without the intent of thereafter assigning this Lease or subletting the Premises or any portion thereof, and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Lessee; provided, however, that an Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 12.2 of this Lease. The Options, if any, herein granted to Lessee are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple options to extend or renew this Lease a later option cannot be exercised unless the prior option to extend or renew this Lease has been so exercised.

39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(c) or 13.1(d) and continuing until the noncompliance alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from

Lessee and unpaid (without any necessity for notice thereof to Lessee) and continuing until the obligation is paid, or (iii) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, during the 12-month period of time immediately prior to the time that Lessee attempts to exercise the subject Option, (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants or conditions of this Lease.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force of effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessee fails to commence to cure a default specified in paragraph 13.1(d) within thirty (30) days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion, (iii) Lessor gives to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, or (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants and conditions of this Lease.

39.5 OPTION TO EXTEND TERM. Lessee shall have the Option to extend the term of this Lease for the ground floor only on the terms set forth in the lease attached hereto as Exhibit "H" for two (2) consecutive five-year terms (each an "extended term") following expiration of the initial Term of the Lease, by giving written notice of exercise of the Option (the "option notice") to Lessor at least six (6) months, but no more than nine (9) months before the expiration of the Term, at an annual Base Rent equal to the higher of the "fair market rental rate" or the prevailing Base Rent payable by Lessee in the twelve (12) months immediately preceding the extended term. The "fair market rental rate" shall mean and refer to the monthly rental rate then being charged for non-renewal, non-expansion, then-current, comparable, non-sublease, non-encumbered, non-equity space for retail bank branch use (collectively, "Comparable Space") in reasonably equivalent first class commercial office buildings in the Sherman Oaks-Encino area, similarly improved, taking into consideration the floor level on which the Premises are located, existing tenant improvements or, if no such improvements exist, allowances provided or to be provided for such comparable space, rental abatement concessions, if any, the length of the relevant term, the extent of services to be provided to the Premises, the date as of which the fair market rental rate is to become effective, and any other relevant terms or conditions. In order to determine the fair market rental rate for purposes hereof, Lessor shall provide written notice of the fair market rental rate not later than thirty (30) days after the last day on which the option notice may be given by Lessee. Lessee shall have fifteen (15) days ("Lessee's Review Period") after receipt of Lessor's notice within which to accept such fair market rental rate or to reasonably object thereto in writing. Failure of Lessee to so object to the fair market rental rate submitted by Lessor in writing within Lessee's Review Period shall conclusively be deemed its approval thereof. In the event Lessor objects to the fair market rental rate submitted by Lessor, Lessor and Lessee shall attempt in good faith to reach agreement on such fair market rental rate within fifteen (15) days following Lessee's Review Period (the "Outside Agreement Date"), after which each party's determination shall be submitted to appraisal as follows. Lessor and Lessee shall each appoint one independent appraiser who shall be a real estate professional who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of commercial properties in the Sherman Oaks-Encino area. The determination of the appraisers shall be limited solely to the issue of whether Lessor's or Lessee's submitted fair market rental rate for the ground floor of the Premises is the closest to the actual fair market rental rate for the ground floor of the Premises as determined by the appraisers, taking into account the requirements for

Comparable Space outlined above. Such decision shall be based upon the projected prevailing fair market rental rate as of the commencement date of the extended term. Each appointed appraiser shall within ten (10) days of the date of the appointment of the last appraiser agree upon and appoint a third appraiser who shall be qualified under the same criteria set forth hereinabove for the qualification of the initial two (2) appraisers. The three (3) appraisers shall within thirty (30) days of the appointment of the third appraiser reach a decision as to whether the parties shall use Lessor's or Lessee's submitted fair market rental rate, and shall notify the parties thereof. The decision of the majority of the three (3) appraisers shall be binding upon Lessor and Lessee. If either Lessor or Lessee fails to appoint an appraiser within the time period specified hereinabove, the appraiser appointed by one of them shall reach a decision based upon the same procedures as set forth above and shall notify Lessor and Lessee thereof, and such appraiser's decision shall be binding upon Lessor and Lessee. If the two (2) appraisers fail to agree upon and appoint a third appraiser, both appraisers shall submit the limited issue of choosing a third appraiser to arbitration under the provisions of the American Arbitration Association, based upon the same procedures as set forth above. The cost of the appraisers and/or of the arbitration shall be paid by the losing party.

#### 40. SECURITY MEASURES--LESSOR'S RESERVATIONS.

40.1 Lessee hereby acknowledges that Lessor shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Office Building Project. Lessee assumes all responsibility for the protection of Lessee, its agents, and invitees and the property of Lessee and of Lessee's agents and invitees from acts of third parties. Notwithstanding anything to the contrary contained in this Lease, Lessor and Lessee further acknowledge that Lessor shall have no responsibility or liability for the security or safety of Lessee's employees or customers utilizing the night depositories or ATM(s) installed on the Premises.

40.2 Without limiting its rights at law or elsewhere under this Lease, Lessor shall have the following rights:

(a) To change the name, address or title of the Office Building Project or building in which the Premises are located upon not less than 90 days' prior written notice;

(b) To, at Lessee's expense, provide and install Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate;

(c) To permit any lessee the exclusive right to conduct any business as long as such exclusive does not conflict with any rights expressly given herein;

(d) To place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Office Building Project or on pole signs in the Common Areas.

#### 40.3 Lessee shall not:

(a) Use a representation (photographic or otherwise) of the Building or the Office Building Project or their name(s) in connection with Lessee's business (other than in Lessee's annual report) without Lessor's prior written consent, which shall not be unreasonably withheld;

(b) Suffer or permit anyone, except in emergency, to go upon the roof of the Building.

41. EASEMENTS.

41.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material default of this Lease by Lessee without the need for further notice to Lessee.

41.2 The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

42. INTENTIONALLY OMITTED.

43. LESSOR'S RIGHT TO PERFORM. Except as specifically provided otherwise in this Lease, all covenants and agreements by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any abatement or offset of rent. If Lessee shall fail to pay any sum of money (other than Basic Rent) or perform any other act on its part to be paid or performed hereunder and such failure shall continue for ten (10) days with respect to monetary obligations (or thirty (30) days with respect to non-monetary obligations) then, notwithstanding anything to the contrary provided elsewhere herein, after Lessee's receipt of written notice thereof from Lessor, Lessor may, without waiving or releasing Lessee from any of Lessee's obligations, make such payment or perform such other act on behalf of Lessee. All sums so paid by Lessor and all necessary incidental costs incurred by Lessor in performing such other acts, together with interest at the Lease Rate and any reasonable administrative fee charged by Lessor, shall be payable by Lessee to Lessor within five (5) days after demand therefor as additional rent. Notwithstanding the foregoing, in the event of an emergency, Lessor shall have the right, without notice to Lessee, to immediately perform any obligation of Lessee hereunder. The foregoing rights are in addition to any and all remedies available to Lessor upon Lessee's default as described in paragraph 13.2

44. LIMITATION ON LESSOR'S LIABILITY. Notwithstanding anything contained in this Lease to the contrary, the obligations of Lessor under this Lease (including any actual or alleged breach or default by Lessor) do not constitute personal obligations of the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, and Lessee shall not seek recourse against the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, or any of their personal assets for satisfaction of any liability with respect to this Lease. In addition, in consideration of the benefits accruing hereunder to Lessee and notwithstanding anything contained in this Lease to the contrary, Lessee hereby covenants and agrees for itself and all of its successor and assigns that the liability of Lessor for its obligations under this Lease (including any liability as a result of any actual or alleged failure, breach or default hereunder by Lessor), shall be limited solely to, and Lessee's and its successors' and assigns' sole and exclusive remedy shall be against, Lessor's interest in the Office Building Project and proceeds therefrom, and no other assets of Lessor.

45. TOXIC MATERIALS.

(a) Definitions.

For purposes of this paragraph 45, "Hazardous Material" shall mean any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action or policy; or

(ii) which is or becomes defined as a "hazardous waste" or "hazardous substance" under any federal, state or local statute, regulation, ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601 et seq.) and or the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.); or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of California or any political subdivision thereof; or

(iv) the presence of which on the Premises, Building or Office Building Project causes or threatens to cause a nuisance upon the Premises, Building or Office Building Project or to adjacent properties or poses or threatens to pose a hazard to the Premises, Building or Office Building Project or to the health or safety of persons on or about the Premises, Building or Office Building Project; or

(v) without limitation which contains gasoline, diesel fuel or other petroleum hydrocarbons; or

(vi) without limitation which contains polychlorinated biphenols (PCBs), asbestos or urea formaldehyde foam insulation; or

(vii) which is or becomes defined as "medical waste" under the Medical Waste Management Act (Health & Safety Code Sections 25015-25099.3).

For purposes of this paragraph 45, "Environmental Requirements" means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including without limitation:

(i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of "Hazardous Materials," chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials, or wastes, whether solid, liquid or gaseous in nature; and

(ii) all requirements pertaining to the protection of the health and safety of employees or the public.

For purposes of this paragraph 45, "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence on or after the date upon which Lessee takes possession of the Premises (the "Possession Date") of "Hazardous Material" upon, about, beneath the Premises, Building or Office Building Project or migrating or threatening to migrate to or from the Premises, Building or Office Building Project or the existence of a violation of "Environmental Requirements" pertaining to the Premises, Building or Office Building Project, regardless of whether the existence of such "Hazardous Material" or the violation of "Environmental Requirements" arose prior to the present ownership or operation of the Premises, Building or Office Building Project, and including without limitation:

(i) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, Building or Office Building Project, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Lessee, with respect to which Lessee waives any immunity to which it may be entitled under any industrial or worker's compensation laws;

(ii) fees incurred for the service of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such "Hazardous Materials" or violation of "Environmental Requirements" including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remedial, removal, response, abatement, containment, closure, restoration or monitoring work required by any federal, state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Premises, Building or Office Building Project or any other property or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this Lease or collection of any sums due hereunder;

(iii) liability to any third person or governmental agency to indemnify such person or agency for costs expended in connection with the items referenced in subparagraph (ii) herein; and

(iv) diminution in the value of the Premises, Building or Office Building Project, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises, Building or Office Building Project.

(b) Lessee's Obligations.

Lessee, at its sole cost and expense, shall comply with all Environmental Requirements relating to the storage, use and disposal of all Hazardous Materials, including those materials identified in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30 ("Title 22") as the same may be amended from time to time. If Lessee does store, use or dispose of any Hazardous Materials, Lessee shall notify Lessor in writing at least ten (10) days prior to the first appearance of such materials on the Premises,

Building or Office Building Project, and Lessor shall have the right to disapprove of Lessee's use thereof on the Premises (provided that Lessor's failure to disapprove thereof shall not constitute Lessor's approval thereof or excuse Lessee from complying with the terms of this paragraph 45), and Lessee's failure to so notify Lessor shall constitute a default under this Lease. Lessee shall be solely responsible for and shall protect, defend, indemnify, and hold Lessor, its agents and contractors harmless from and against all Environmental Damages arising out of or in connection with the storage, use and disposal of Hazardous Materials by Lessee, its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees. If the presence of Hazardous Materials on the Premises, Building or Office Building Project caused or permitted by Lessee results in contamination or deterioration of water or soil resulting in a level of contamination greater than the levels established by any governmental agency having jurisdiction over such contamination, then Lessee shall, at its sole cost and expense, promptly take any and all action necessary to clean up such contamination if required by law or as a condition to the issuance or continuing effectiveness of any governmental approval which relates to the use of the Premises, Building or Office Building Project. If at any time prior to the expiration of the Lease term, Lessor shall reach a reasonable good faith determination that Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees have at any time violated any Environmental Requirements, discharged any Hazardous Material onto the Premises, Building or Office Building Project, or surrounding areas or otherwise subjected Lessor or the Office Building Project to liability for Environmental Damages, then Lessor shall have the right to require Lessee to conduct appropriate tests of water and soil and to deliver to Lessor the result of such tests to demonstrate that no contamination in excess of legally permitted levels has occurred as a result of Lessee's use of the Premises, Building or Office Building Project. If the presence of Hazardous Materials on the Premises, Building or Office Building Project is caused or permitted by Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees such that Lessor or Lessee becomes obligated to conduct the necessary clean-up of such contamination as required above, then, Lessee shall further be solely responsible for, and shall protect, defend, indemnify and hold Lessor, its agents and contractors harmless from and against all claims, costs and liabilities, including actual attorneys' fees, expert witness fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Premises, Building or Office Building Project and any other property of whatever nature to conditions which existed prior to Lessee's use thereof and which are within acceptable levels according to all Environmental Requirements or any other Federal, State or local governmental requirements. Lessee's obligations hereunder shall survive the expiration or earlier termination of this Lease.

46. INTENTIONALLY OMITTED.

47. AUTHORITY. Lessee and Lessor, and each individual executing this Lease on behalf of such entity, represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity. Lessee and Lessor shall, within thirty (30) days after execution of this Lease, deliver to one another evidence of such authority.

48. CONFLICT. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the computer-generated, typewritten or handwritten provisions, if any, shall be controlled by the computer-generated, typewritten or handwritten provisions.



49. NO OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

50. INTENTIONALLY OMITTED.

51. MULTIPLE PARTIES. If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein, the obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.

52. INTENTIONALLY OMITTED.

53. ATTACHMENTS. Attached hereto are the following documents which constitute a part of this Lease: See Exhibit List below.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

LESSOR

LESSEE

CITADEL REALTY, INC

By \_\_\_\_\_

Its \_\_\_\_\_

By: \_\_\_\_\_

Its \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

FIDELITY FEDERAL BANK, FSB

By \_\_\_\_\_

Its \_\_\_\_\_

By: \_\_\_\_\_

Its \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: President

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: Corporate Properties

EXHIBIT LIST

- - - - -

- EXHIBIT A - Premises
- EXHIBIT B - Legal Description
- EXHIBIT C - Rules and Regulations
- EXHIBIT D - Restoration and Rehabilitation Plan
- EXHIBIT E - Signage Plan
- EXHIBIT F - Sublease - White, Zuckerman, Warsawsky & Luna, Inc.
- EXHIBIT G - Option Lease

EXHIBIT A

STANDARD OFFICE LEASE

FLOOR PLAN

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3. The land referred to in this report is situated in the State of California,

County of LOS ANGELES and is described as follows:

PARCEL A, OF PARCEL MAP L.A. NO. 3971, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 97 PAGE 87 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT C

RULES AND REGULATIONS FOR  
STANDARD OFFICE LEASE

GENERAL RULES

TO THE EXTENT ANY PROVISION OF THESE RULES AND REGULATIONS CONFLICTS WITH THE TERMS OF THE LEASE, THE PROVISIONS OF THE LEASE SHALL PREVAIL

1. Lessee shall not unreasonably suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Office Building Project.
4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. No sign, advertisement or notice shall be displayed, printed or affixed on or to the Premises or to the outside or inside of the Building or so as to be visible from outside the Premises or Building without Lessor's prior written consent. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed

at the expense of Lessee by Lessor or by a person selected by Lessor and in a manner and style acceptable to Lessor.

7. The sidewalks, halls, passages, exits, entrances, elevators and stairways and other portions of the common areas shall not be obstructed by Lessee or used for any purpose other than for ingress and egress from Lessee's Premises.

8. Toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

9. Lessee shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, ceilings or floor or in any way deface the Premises nor shall Lessee suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.

10. Lessor shall have the right to reasonably prescribe the weight, size and position of all heavy safes and other heavy equipment brought into the Building, except for the existing walk in vault on the ground floor. Lessor may exclude from the Building any such heavy or bulky equipment or articles, the weight of which may exceed the floor load for which the Building is designed, or such equipment or articles as may violate any provisions of the Lease of which these rules and regulations are a part. Lessee shall not use any machinery or other bulky articles on the Premises, even though its installation may have been permitted, which may cause any noise, or jar, or tremor in the floors or walls, or which by its weight might injure the floor of the Building. Safes or other heavy equipment shall, as considered reasonably necessary by Lessor, stand on a platform of such thickness as is necessary to properly distribute the weight.

11. Lessee shall not use or keep in the Premises, Building or Office Building Project any kerosene, gasoline or inflammable, explosive or combustible fluid or material, or use any method of heating or air-conditioning other than that supplied by Lessor.

12. Intentionally Omitted.

13. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system.

14. The Premises shall not be used for manufacturing purposes. Lessee shall not, without Lessor's prior written consent, occupy or permit any portion of the Premises to be occupied or used for the manufacture or sale of liquor or tobacco in any form, or as a barber or manicure shop, or as an employment bureau. The Premises shall not be used for lodging or sleeping or for any improper, objectionable or immoral purpose. No auction shall be conducted on the Premises.

15. Lessee shall not make, or permit to be made, any unseemly or disturbing noises, or disturb or interfere with occupants of the Building, the Office Building Project or neighboring buildings or premises or those having business with it by the use of any musical instrument, radio, phonographs or unusual noise, or in any other way.

16. No vehicles or animals of any kind shall be brought into or kept in or about the Premises, and no cooking (except in microwave ovens for consumption by Lessee's employees) shall be done or



permitted by any lessee in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for lessees, their employees and visitors shall be permitted. No lessee shall cause or permit any unusual or objectionable odors to be produced in or permeate from or throughout the Premises.

17. The sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by any lessee, nor shall any bottles, parcels or other articles be placed on the windowsills.

18. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any lessee, unless Lessor is furnished a key therefor. Lessee must, upon the termination of its tenancy, give the Lessor all keys of stores, offices, or toilets and toilet rooms, either furnished to, or otherwise procured by Lessee, and in the event of the loss of any keys so furnished, Lessee shall pay Lessor the cost of replacing the same or of changing the lock or locks opened by such key if Lessor shall deem it necessary to make such change.

19. Lessor shall have the right to prohibit any advertising by any lessee which, in Lessor's opinion, tends to impair the reputation of the Building or the Office Building Project or its desirability as an office building and upon written notice from Lessor any lessee shall refrain from and discontinue such advertising.

20. Any person employed by any lessee to do janitorial work shall, while in the Building or the Office Building Project and outside of the Premises, be subject to and under the control and direction of the office of the Office Building Project (but not as an agent or servant of Lessor, and the lessee shall be responsible for all acts of such persons).

21. No air conditioning unit or other similar apparatus shall be installed or used by any lessee without the prior written consent of Lessor.

22. There shall not be used in any space, or in the public halls of the Building, either by any lessee or others, any hand trucks except those equipped with rubber tires.

23. Intentionally omitted.

24. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.

25. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Office Building Project.

26. Lessee shall be responsible for any damage to the Office Building Project arising from the transportation of furniture, significant freight and equipment that Lessee moves in or out of the Building.

27. Intentionally omitted.

28. Lessee reserves the right to close and lock the Building on Saturdays, Sundays and legal holidays, and on other days between the hours of 8 P.M. and 6:00 A.M. of the following day, or such other hours as Lessee may determine.

29. No window coverings, shades or awnings shall be installed or used by Lessee, without Lessor's prior written consent, which shall not be unreasonably withheld.

30. No Lessee, employee or invitee shall go upon the roof of the Building, except in an emergency.

31. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas designated by applicable governmental agencies as non-smoking areas.

32. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.

33. Lessee shall not install, maintain or operate any vending machines upon the Premises except for the exclusive use of Lessee, other lessees and their employees.

34. The Premises shall not be used for lodging or manufacturing.

35. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.

36. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.

37. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.

38. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

39. All doors opening onto public corridors shall be kept closed, except when being used for ingress and egress.

40. Intentionally omitted.

41. Canvassing, soliciting and peddling in the Building are prohibited and each lessee shall cooperate to prevent the same.

#### PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."

2. Intentionally omitted.

3. Intentionally omitted.

4. Intentionally omitted.

5. Intentionally omitted.

6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.

8. Intentionally omitted.

9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.

10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.

11. Lessor reserves the right to reasonably modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.

12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

13. Lessee or its agent may tow or otherwise remove any vehicles which are parked illegally in the parking areas. Such towing shall be at the sole cost and expense of Lessee.

EXHIBIT H

PROVISIONS OF OPTION LEASE

The Option to extend the term of the Lease shall be on the same terms as the Lease, except that Base Rent shall be calculated as set forth in paragraph 39.5 of the Lease and the following paragraphs of the Lease shall be revised as follows:

1.2 PREMISES: Ground floor, consisting of approximately 7,079 BOMA rentable square feet, more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the "Premises").

1.4 PERMITTED USE: Retail bank branch, subject to paragraph 6.

1.5 TERM: Five (5) years commencing \_\_\_\_\_ ("Commencement Date") and ending \_\_\_\_\_, as defined in paragraph 3.

1.10 LESSEE'S SHARE OF OPERATING EXPENSES: 26.94% as defined in paragraph 4.2.

2.2. VEHICLE PARKING: So long as Lessee is not in default, and subject to the rules and regulations attached hereto as Exhibit C, and as established by Lessor from time to time Lessee shall be entitled to use 26.94% of the parking spaces in the Office Building Project, free of charge; provided, however that Lessee shall pay any and all taxes or surcharges applicable to such parking use which may be levied by any state or local governmental agency from time to time.

4.2 OPERATING EXPENSES. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share, as hereinafter defined, of all Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "Lessee's Share" is defined, for purposes of this Lease, as the percentage set forth in paragraph 1.10 of the Basic Lease Provisions, which percentage has been determined by dividing the approximate square footage of the Premises by the total approximate square footage of the rentable space contained in the Office Building Project. It is understood and agreed that the square footage figures set forth in the Basic Lease Provisions are approximations which Lessor and Lessee agree are reasonable and shall not be subject to revision except in connection with an actual change in the size of the Premises or a change in the space available for lease in the Office Building Project. It is further agreed that Lessee shall in no event be entitled to a credit to or adjustment of Lessee's Share of Operating Expenses payable hereunder, even if the ratio of Operating Expenses actually paid by Lessee compared to total Operating Expenses actually paid by other lessees of the Office Building Project exceeds Lessee's Share (as it might, by way of example only and not limitation, if some leases of the Office Building Project are made on a "gross" basis, in which case the lessees under such leases would not directly pay any portion of the Operating Expenses).

(b) "Operating Expenses" is defined, for purposes of this Lease, to include all costs, if any, incurred by Lessor in the exercise of its reasonable discretion, for:

(i) The operation, repair, maintenance, and replacement, in neat, clean, safe, good order and condition, of the Office Building Project, including, but not limited to, the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, telecommunication and other equipment used in common by, or for the benefit of, lessees or occupants of the Office Building Project, including elevators and escalators, lessee directories, fire detection systems including sprinkler system maintenance and repair.

(ii) Trash disposal, janitorial and security services;

(iii) Any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the liability and property insurance policies to be maintained by Lessor under paragraph 8 hereof;

(v) The amount of the real property taxes to be paid by Lessor under paragraph 10.1 hereof;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services to the Office Building Project;

(vii) Labor, salaries and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Office Building Project and accounting and a management fee attributable to the operation of the Office Building Project.

(viii) Replacing and/or adding improvements mandated by any governmental agency and any repairs or removals necessitated thereby amortized over its useful life according to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then reasonable in the judgment of Lessor's accountants);

(ix) Replacements of equipment or improvements, as amortized over such equipment or improvement's useful life for depreciation purposes according to federal income tax guidelines;

(x) Environmental Damages (as hereinafter defined) to the extent not recovered by Lessor directly from any lessees of the Office Building Project.

(c) Operating Expenses shall not include any expenses paid by any lessee directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other lessee, or by insurance proceeds.

(d) Lessee's Share of Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each calendar year of the Lease term,

on the same day as the Base Rent is due hereunder. In the event that Lessee pays Lessor's estimate of Lessee's Share of Operating Expenses as aforesaid, Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Operating Expenses incurred during the preceding year. If Lessee's payments under this paragraph 4.2(e) during said preceding calendar year exceed Lessee's Share as indicated on said statement, Lessee shall be entitled to credit the amount of such overpayment against Lessee's Share of Operating Expenses next falling due. If Lessee's payments under this paragraph during said preceding calendar year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement.

STANDARD OFFICE LEASE

MODIFIED GROSS

1. BASIC LEASE PROVISIONS ("Basic Lease Provisions").

1.1 PARTIES: This Lease, dated, for reference purposes only, July 15, 1994, is made by and between Citadel Realty, Inc. (herein called "Lessor") and Fidelity Federal Bank, a Federal Savings Bank (herein called Lessee").

1.2 PREMISES: The ground floor, consisting of approximately 11,823 BOMA rentable square feet (the "Ground Floor") and the fourth, fifth and sixth floors, consisting of approximately 46,384 BOMA rentable square feet (the "Upper Floors"), more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the Ground Floor and the "Upper Floors" are collectively referred to herein as the "Premises"). If BOMA measurements of rentable square footage for the Premises vary from the numbers set forth above, an adjustment to the rental rate per square foot shall be made so that the monthly Base Rent set forth in paragraph 1.6 hereof remains the same and an adjustment shall be made to Lessee's share of operating expenses as set forth in paragraph 1.10.

1.3 BUILDING: Commonly described as being located at 600 North Brand Boulevard, in the City of Glendale, County of Los Angeles, State of California, as more particularly described in Exhibit "B" hereto, and as defined in paragraph 2.

1.4 PERMITTED USE: Retail bank branch on the Ground Floor and general office use on the Upper Floors, subject to paragraph 6.

1.5 TERM: Ten (10) years commencing \_\_\_\_\_, 199\_ ("Commencement Date") and ending \_\_\_\_\_, 200\_ (the "Expiration Date"), as set forth in paragraph 3.

1.6 BASE RENT: \$101,744 per month (\$2.25 per square foot for the Ground Floor and \$1.62 per square foot for the Upper Floors. (11,823 x 2.25 = \$26,602) + (46,384 x 1.62 = \$75,142) = \$101,744), payable on the first day of each month, in advance, per paragraph 4.1.

1.7 BASE RENT INCREASE: On the date which is twelve (12) months from the Commencement Date and each twelve (12) months thereafter during the term of this Lease, the monthly Base Rent payable under paragraph 1.6 above shall be adjusted as provided in paragraph 4.8.1 below and Base Rent shall be additionally increased in the sixth year of the lease as set forth in 4.8.4 below.

1.8 RENT PAID UPON EXECUTION: Same as paragraph 1.6.

1.9 SECURITY DEPOSIT: One month's rent.

1.10 LESSEE'S SHARE OF OPERATING EXPENSES: 65.34% (based on 89,081 total Building sq. ft.), subject to adjustment after BOMA measurements as set forth in paragraph 1.2 above.

1.11 EXPENSE BASE YEAR: Calendar year 199\_, as defined in 4.2.

1.12 TAX BASE YEAR: Calendar year 199\_, as defined in paragraph 4.2.

1.13 OPTIONS TO EXTEND TERM: Two (2) five-year options to extend the term of the Lease for the Ground Floor only, as described in paragraph 39.5.

1.14 OPTION TO PURCHASE: Lessee shall have the option to purchase the Office Building Project at fair market value at the end of the Term, provided that the Office Building Project is then owned by Lessor, as described in paragraph 39.6.

## 2. PREMISES, PARKING AND COMMON AREAS.

2.1 PREMISES: The Premises are a portion of a building, herein sometimes referred to as the "Building" identified in paragraph 1.3 of the Basic Lease Provisions. "Building" shall include adjacent parking structures used in connection therewith. The Premises, the Building, the Common Areas, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2. VEHICLE PARKING: So long as Lessee is not in default, and subject to the rules and regulations attached hereto as Exhibit C, and as established by Lessor from time to time Lessee shall be entitled to use 160 reserved spaces in the parking garage and 35 spaces in the adjacent surface parking lot, with the right to require the Lessor to mark as "reserved" 15 of such 35 spaces closest to the retail branch entrance; provided that nothing in this sentence shall alter Lessor's rights to make changes to the Common Areas as set forth in paragraph 2.5. All of the above parking spaces are included in the rental rate; provided, however, that Lessee shall pay any and all taxes or surcharges applicable to such parking use which may be levied by any state or local governmental agency from time to time. Further, Lessee shall have the right to rent up to an additional 50 spaces in the parking garage, at the monthly rate applicable from time to time for monthly parking as set by lessor and/or its licensee. With respect to all parking provided hereunder, Lessee shall be entitled to an amount of reserved parking spaces on each floor of the parking garage equal to the pro rata amount of leased space it occupies in the Building (i.e. 65.34%).

2.2.1 If Lessee commits, permits or allows any of the prohibited activities, described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.2.2 With respect to the up to 50 additional spaces available to Lessee, the monthly parking rate per parking space will be \$45.00 per month at the commencement of the term of this Lease, and is subject to change upon thirty (30) days, prior written notice to Lessee; provided that in no event shall the monthly parking rate charged Lessee exceed the prevailing rate charged for similar parking facilities by similar first class office buildings in Glendale, California. Monthly parking fees shall be payable in advance on the first day of each calendar month.

2.3 COMMON AREAS - DEFINITION. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Office Building Project that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and of other lessees of the Office Building Project and their respective employees, suppliers, shippers, customers and invitees, including, but not limited to, common entrances, lobbies, corridors, stairways and stairwells, public restrooms, elevators, escalators, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading



areas, trash areas, roadways, sidewalks, walkways, parkways, ramps, driveways, landscaped areas and decorative walls.

2.4 COMMON AREAS - RULES AND REGULATIONS. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit C with respect to the Office Building Project and Common Areas, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees, their agents, employees and invitees of the Office Building Project.

2.5 COMMON AREAS - CHANGES. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Building interior and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, discretion of traffic, decorative walls, landscaped areas and walkways; provided, however, Lessor shall at all times provide that the parking facilities required by applicable law (but in no event shall Lessor be required to provide parking spaces in excess of those currently existing) and that reasonable access to the Building shall always remain available;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available (without any abatement of rent to Lessee);

(c) To designate other land and improvements outside the boundaries of the Office Building Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Office Building Project;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Office Building Project, or any portion hereof;

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Office Building Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

### 3. TERM.

3.1 TERM. The term and Commencement Date of this Lease shall be as specified in paragraph 1.5 of the Basic Lease Provisions.

3.2 INTENTIONALLY OMITTED.

3.2.1 INTENTIONALLY OMITTED.

3.2.2 INTENTIONALLY OMITTED.

3.3 INTENTIONALLY OMITTED.

3.4 INTENTIONALLY OMITTED.

4. RENT.

4.1 BASE RENT. Subject to adjustment as hereinafter provided in paragraph 4.8, and except as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Base Rent for the Premises set forth in paragraph 1.6 of the Basic Lease Provisions, without any offset or deduction whatsoever. Lessee shall pay Lessor upon execution hereof the advance Base Rent described in paragraph 1.8 of the Basic Lease Provisions. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

4.2 DEFINITIONS. The following definitions shall apply to this Article 4:

(a) "Expense Base Year" shall mean calendar year 199\_.

(b) "Tax Base Year" shall mean calendar year 199\_.

(c) "Expense Comparison Year" shall mean each successive calendar year after the Expense Base Year during the Lease Term.

(d) "Tax Comparison Year" shall mean each successive calendar year after the Tax Base Year during the Lease Term.

(e) "Lessee's Share of Operating Expenses" shall mean the percentage of Lessee's Share of Operating Expenses specified in the Basic Lease Provisions. Lessee's Share of Operating Expenses was calculated by dividing the rentable area of the Premises by the total rental area of the office space in the Building. It is understood and agreed that the square footage figures set forth in the Basic Lease Provisions are approximations which Lessor and Lessee agree are reasonable and shall not be subject to revision (other than as set forth in Article 1).

(f) "Lessee's Tax Share" shall mean the percentage of Lessee's Tax Share specified in the Basic Lease Provisions. Lessee's Tax Share was calculated by dividing the rentable area of the Premises by the total rentable area of the office space in the Building. It is understood and agreed that the square footage figures set forth in the Basic Lease Provisions are approximations which Lessor and Lessee agree are reasonable and shall not be subject to revision (other than as set forth in Article 1).

(g) "Operating Expenses" shall mean any and all direct costs and expenses paid or incurred by Lessor in connection with the operation, maintenance, management and repair of the Office Building Project. By way of illustration but not limitation, Operating Expenses shall include the following: (i) the cost of air conditioning, electricity, steam, heating, water, plumbing, mechanical, ventilating, electrical systems, sanitary and storm drainage, life safety equipment, telecommunications equipment, lessee directories, fire detection systems, sprinkler systems, the cost of environmental surcharges imposed by any government entity, escalator and elevator systems and all other utilities and the cost of supplies and equipment and maintenance and service contracts in connection therewith; (ii) the cost of repairs and general maintenance and cleaning, including all goods, services and supplies purchased by Lessor in connection therewith; (iii) the cost of fire, extended coverage, boiler, sprinkler, public liability, property damage, loss of rent, earthquake and other insurance on or covering operations of the

Building, including such other endorsements as Lessor may desire, all in such amounts as Lessor may reasonably determine or the Building's share of a blanket policy, whether or not it is actually paid for by the Building, as reasonably determined by Lessor, and the cost of any losses payable by Lessor as a deductible; (iv) wages, salaries and other labor costs, including uniforms, taxes, insurance, retirement, medical and other employee benefits; (v) reasonable fees, charges and other costs, including without limitation management fees, consulting fees, legal fees and accounting fees, of all independent contractors engaged by Lessor to perform services directly relating to the management of the Office Building Project or reasonably charged by Lessor if Lessor or its affiliate(s) perform management services in connection with the Office Building Project, and the costs of supplying, replacing and cleaning employee uniforms; (vi) the cost of licenses, permits and inspections and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses; (vii) the cost of window coverings, decorative items, carpeting and other wall or floor coverings furnished by Lessor from time to time in public corridors and Common Areas; (viii) the cost of repairs, maintenance and cleaning of the Common Areas including, but not limited to striping, bumpers, irrigation systems, Common Area lighting facilities, Building exteriors and roofs, fences and gates; (ix) Lessor's contributions to any owner's associations providing maintenance or other services or benefits to the Building; (x) the cost of trash disposal, janitorial and security services; (xi) the amount of any reasonable reserves established for anticipated expenditures; and (xii) the cost of any capital improvements made to the Building after completion of its construction as a labor-saving or energy conservation device or to effect other economies in the operation or maintenance of the Building, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained (including without limitation those undertaken to comply with the Americans With Disabilities Act, as such Act applies to the Common Areas), such costs to be amortized over such reasonable period as Lessor shall determine, together with interest on the unamortized balance at a market rate.

For purposes of this Lease, Operating Expenses shall not include taxes covered under clause (h) below, interest expense (except as provided in clause (ix) above), leasing commissions, the cost of tenant improvements, depreciation on the improvements contained in the Building (except as provided in clause (ix) above), the cost of capital expenditures not included within clause (ix) above or any costs which are paid by any tenant directly to third parties or as to which Lessor is otherwise reimbursed by any other tenant, third party or by insurance proceeds. The computation of Operating Expenses shall be made in accordance with fair and reasonable accounting principles customarily applied by owners of similar properties in Los Angeles County, California.

(h) "Applicable Taxes" shall mean all taxes, assessments and charges levied on or with respect to the Building, the Office Building Project, or any personal property of Lessor used in the operation thereof and payable by Lessor. Applicable Taxes shall include, without limitation, all general real property taxes and general and special assessments, fees, assessments or charges for transit, police, fire, housing, other governmental services, or purported benefits to the Building, service payments in lieu of taxes, and any tax, fee or excise on the act of entering into this Lease or on the use or occupancy of the Building or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Building, that are now or hereafter levied on or assessed against Lessor by, or payable by Lessor as a result of, the requirements of the United States of America, the State of California, or any political subdivision, public corporation, district or other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other taxes. Applicable Taxes shall not include franchise, transfer, inheritance or capital stock taxes or income taxes measured by the net income of Lessor from all sources, unless, due to a change in the method of taxation, any of such taxes are levied or assessed against Lessor as a substitute for, in whole or in part, any other tax which would otherwise constitute an Applicable Tax. Applicable Taxes shall also include reasonable legal fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Applicable Taxes. Notwithstanding, anything to the contrary in this Lease, in the event that any Applicable Taxes are payable, or may at the option of the taxpayer be paid in installments, such Applicable Taxes shall be deemed to have been paid in installments, regardless of the

method of actual payment by Lessor, and Lessee's Share of such Applicable Taxes shall only include those installments which would become due and payable during the Term.

4.3 PAYMENT OF INCREASES. If, with respect to any Expense Comparison Year, the Operating Expenses shall be higher than the Operating Expenses for the Expense Base Year, Lessee shall pay to Lessor as additional rent Lessee's Share of Operating Expenses of any such increase in Operating Expenses in the manner provided herein. If, with respect to any Tax Comparison Year, the Applicable Taxes shall be higher than the Applicable Taxes for the Tax Base Year, Lessee shall pay to Lessor as additional rent, Lessee's Tax Share of any such increase in Applicable Taxes in the manner provided herein. Notwithstanding anything to the contrary contained in the foregoing, Lessee shall not be assessed, nor shall it pay, Lessee's Share of any increase in Operating Expenses or Applicable Taxes over the Expense Base Year or Tax Base Year, respectively, until the thirteenth (13) month following the Commencement Date.

4.4 TIME FOR PAYMENT. The payments contemplated under paragraph 4.3 shall be made as follows:

(a) During each month of each Comparison Year, Lessee shall pay to Lessor, with each installment of Base Rent, such amounts as are estimated by Lessor to be one-twelfth (1/12th) of the amounts payable pursuant to paragraph 4.3 with respect to each Tax Comparison Year and Expense Comparison Year; provided, however, that Lessor may, by written notice to Lessee, revise its estimates for such year and subsequent payments during the Comparison Year shall be based upon such revised estimate.

(b) With reasonable promptness after the end of each Tax and/or Expense Comparison Year, Lessor shall deliver to Lessee a statement setting forth the actual Operating Expenses and Applicable Taxes for the Comparison Year, a comparison with the Operating Expenses and Applicable Taxes for the Base Year and a comparison of any amounts payable under paragraph 4.3 with the estimated payments made by Lessee. If the amounts payable under paragraph 4.3 are less than the estimated payments made by Lessee with respect to such Comparison Year, the statement shall be accompanied by a refund of the excess by Lessor, or, at Lessor's election a notice that Lessor shall credit the excess to the next succeeding monthly installments of the Base Rent. If the amounts payable under paragraph 4.3 are more than the estimated payments made by Lessee with respect to such Comparison Year, Lessee shall pay the deficiency to Lessor within thirty (30) days after delivery of such statement. Statements provided by Lessor shall be final and binding upon Lessee, if Lessee fails to contest the same within ninety (90) days after the date of delivery to Lessee.

4.5 PARTIAL YEAR. If the Commencement or Expiration Date shall occur on a date other than the first or last day of a Comparison Year, Lessee's Tax Share and Lessee's Share of Operating Expenses for such Comparison Year shall be prorated according to the ratio that the number of days during said Comparison Year that the Lease was in effect bears to 365.

4.6 VACANCY ADJUSTMENT. Notwithstanding anything to the contrary in this Lease, if during any Expense Comparison Year the Building is less than 95% occupied, for the purposes of computing Lessee's Share of Operating Expenses for said year, those Operating Expenses which vary based upon occupancy levels shall be adjusted as though the Building were 95% occupied; provided, however, in no event shall the aggregate amount collected by Lessor from all tenants in the Building exceed the actual Operating Expenses for said year.

4.7 LESSEE'S RIGHT TO AUDIT. If, within thirty days following Lessee's receipt of Lessor's annual statement of actual Operating Expenses pursuant to paragraph 4.4 Lessee notifies Lessor that Lessee desires to audit Lessor's statement, Lessor shall cooperate with Lessee to permit such audit during normal business hours at Lessee's sole cost and expense. If the audit shows that actual Operating Expenses were less than the amount charged by Lessor pursuant to paragraph 4.4 (b), the excess amount paid by Lessee (after the Base Year) shall immediately be refunded by Lessor. If the audit shows that Lessor overstated actual Operating Expenses by more than five percent (5%), Landlord shall pay all the costs and expenses of the audit.

#### 4.8 RENT INCREASE.

4.8.1 At the times set forth in paragraph 1.7 of the Basic Lease Provisions, the monthly Base Rent payable under paragraph 4.1 of this Lease shall be adjusted by the lesser of (i) the increase, if any, in the Consumer Price index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers, (1982-84=100), "All Items," for LA/Anaheim/Riverside area, herein referred to as "C.P.I.," since the date of this Lease and (ii) three percent (3%), but in no event shall such new monthly Base Rent be less than the Base Rent payable for the month immediately preceding the date for the rent adjustment.

4.8.2 The increase in C.P.I. set forth in paragraph 4.8.1(i) shall be calculated as follows: The Base Rent payable for the first month of the term of this Lease, as set forth in paragraph 4.1 of this Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences.

4.8.3 In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculations. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in the county in which the Premises are located, in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties, notwithstanding one party failing to appear after due notice of the proceeding. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

4.8.4 In addition to the annual increases in Base Rent described in paragraph 4.8.1, the monthly base Rent under the Lease shall be increased on the first day of the sixth year of the lease to the following amounts: the Base Rent for the Ground Floor shall be adjusted to the higher of the "fair market rental rate" as determined below and the prevailing Base Rent in the fifth year of the Lease and the Base Rent for the Upper Floors shall be adjusted to the higher of the "fair market rental rate" and the rate equal to \$1.50 per square foot increased by the annual Base Rent increases applied during the first five (5) years of the Lease term as set forth in paragraph 4.8.1. The "fair market rental rate" shall mean and refer to the monthly rental rate then being charged for non-renewal, non-expansion, then-current, comparable, non-sublease, non-encumbered, non-equity space for retail bank branch or office use, as applicable to the Ground Floor and Upper Floors, respectively (collectively, "Comparable Space") in reasonably equivalent first class office buildings in the Glendale/Burbank area, similarly improved, taking into consideration the floor level on which the Premises are located, existing tenant improvements or, if no such improvements exist, allowances provided or to be provided for such comparable space, rental abatement concessions, if any, the length of the relevant term, the extent of services to be provided to the Premises, the date as of which the fair market rental rate is to become effective, and any other relevant terms or conditions. In order to determine the fair market rental rate for purposes hereof, Lessor shall provide written notice of the fair market rental rate not later than ninety (90) days prior to the first day of the sixth year of the Lease. Lessee shall have fifteen (15) days (Lessee's Review Period) after receipt of Lessor's notice within which to accept such fair market rental rate or to reasonably object thereto in writing. Failure of Lessee to so object to the fair market rental rate submitted by Lessor in writing within Lessee's Review Period shall conclusively be deemed its approval thereof. In the event Lessor objects to the fair market rental rate submitted by Lessor, Lessor and Lessee shall attempt in good faith to reach agreement on such fair market rental rate within fifteen (15) days following Lessee's Review Period (the "Outside Agreement Date"), after which each party's determination shall be submitted to appraisal as follows. Lessor and Lessee shall each appoint one independent appraiser who shall by profession be a real estate professional who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of commercial properties in the Glendale/Burbank area. The determination of the appraisers shall be limited solely to the issue of whether Lessor's or Lessee's submitted fair market rental rate for the Premises is the closest to the actual fair market rental rate for the Premises as determined by the appraisers, taking into account the

requirements for Comparable Space outlined above. Such decision shall be based upon the projected prevailing fair market rental rate as of the commencement date of the sixth year of the Lease. Each such appraiser shall be appointed within ten (10) days of the Outside Agreement Date. The two (2) appraisers so appointed shall within ten (10) days of the date of the appointment of the last appointed appraiser agree upon and appoint a third appraiser who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two (2) appraisers. The three (3) appraisers shall within (30) days of the appointment of the third appraiser reach a decision as to whether the parties shall use Lessor's or Lessee's submitted fair market rental rate, and shall notify the parties thereof. The decision of the majority of the three (3) appraisers shall be binding upon Lessor and Lessee. If either Lessor or Lessee fails to appoint an appraiser within the time period specified hereinabove, the appraiser appointed by one of them shall reach a decision based upon the same procedures as set forth above and shall notify Lessor and Lessee thereof, and such appraiser's decision shall be binding upon Lessor and Lessee. If the two (2) appraisers fail to agree upon and appoint a third appraiser, both appraisers shall submit the limited issue of choosing a third appraiser to arbitration under the provisions of the American Arbitration Association, based upon the same procedures as set forth above. The cost of the appraisers and/or of arbitration shall be paid by the losing party.

4.8.5 Lessee shall continue to pay the rent at the rate previously in effect until the increase, if any, is determined. Within thirty (30) days following the date on which the increase is determined, Lessee shall make such payment to Lessor as will bring the increased rental current, commencing with the effective date of such increase through the date of any rental installments than due. Thereafter the rental shall be paid at the increased rate.

4.8.6 At such time as the amount of the change in rental rate in the sixth year of the Lease is known or determined, Lessor and Lessee shall execute an amendment to this Lease setting forth such change. Failure to execute any such amendment shall not affect Lessee's obligation to pay the increased Base Rent.

5. SECURITY DEPOSIT. Lessee shall deposit with Lessor upon execution hereof the security deposit set forth in paragraph 1.9 of the Basic Lease Provisions as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. If the monthly Base Rent shall, from time to time, increase during the term of this Lease (other than as set forth in paragraph 4.8.1), Lessee shall, at the time of such increase, deposit with Lessor additional money as a security deposit so that the total amount of the security deposit held by Lessor shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial Base Rent set forth in paragraph 1.6 of the Basic Lease Provisions, Lessor shall not be required to keep said security deposit separate from its general accounts. If Lessee performs all of the Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) within 30 days after the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit, and under no circumstances shall Lessor be required to keep the Security Deposit separate from its other funds or in an interest-bearing account, nor shall Lessee be entitled to any interest on such amounts regardless of whether or not the Security Deposit is deposited in an interest-bearing account.

6. PERMITTED USE.

6.1 PERMITTED USE. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.4 of the Basic Lease Provisions and for no other purpose.

6.2 COMPLIANCE WITH LAW.

(a) Lessor makes no representation or warranty to Lessee regarding the condition of the Premises or with respect to whether or not the Premises, or the use for which Lessee will occupy the Premises, will violate any covenants or restrictions of record, or any applicable building code, regulation, law or ordinance in effect on the Lease term Commencement Date or at any other time.

(b) Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance or shall tend to disturb other occupants of the Office Building Project.

6.3 CONDITION OF PREMISES.

(a) Lessor acknowledges that it is in possession of the Premises on the Commencement Date and Lessor makes no representation or warranty regarding the condition of the Premises.

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that the Premises are suitable for its intended use, and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Office Building Project for the conduct of Lessee's business.



7. MAINTENANCE, REPAIRS, ALTERATIONS AND COMMON AREA SERVICES.

7.1 LESSOR'S OBLIGATIONS. Lessor shall keep the Office Building Project, including the Premises, interior and exterior walls (but not the interior walls within the Premises), roof, and Common Areas, in good condition and repair; provided, however, Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Building or are above then Building standards. Except as provided in paragraph 9.5, there shall be no abatement of rent or liability of Lessee on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Office Building Project or any part thereof, or on account of any interruption of services or of access to the Premises, Building or Office Building Project. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premises in good order, condition and repair. Notwithstanding the foregoing, Lessor shall not be responsible for repair or replacement of any item which Lessee knew or should have known was in need of imminent repair or replacement on the Commencement Date.

7.2 LESSEE'S OBLIGATIONS.

(a) Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any Premises improvements that are not ordinarily a part of the Building or that are above then Building standards. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

(b) On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as received, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall paneling, ceilings and plumbing on the Premises and in good operating condition.

### 7.3 ALTERATIONS AND ADDITIONS.

(a) Lessee shall not, without Lessor's prior written consent, which consent shall not be unreasonably withheld, make any alterations, improvements, additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project; provided, however, that Lessee may make any non-structural alteration, improvement, addition, Utility Installation or repair to the interior of the Premises as long as it is not visible from the outside, does not involve puncturing, relocating or removing the roof or any existing walls, and does not require the procurement of a building permit. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term, Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense; provided, however, that Lessee shall have no obligation to remove the walk-in vault on the Ground Floor. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor as has been expressly approved by Lessor, and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. In addition, Lessee shall require all contractors and subcontractors performing work at the Premises to carry workers' compensation insurance and liability insurance in an amount reasonably acceptable to Lessor, and Lessee shall provide copies of all such workers' compensation and liability insurance policies or certificates to Lessor. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor (unless such approval is not required pursuant to the first sentence of this paragraph 7.3(a)), or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from the applicable governmental agencies, if required, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Office Building Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. Lessee shall at all times keep the Premises, the Building and the Office Building Project free and clear of liens attributable in any way to a work of improvement commissioned by Lessee, or to the acts or omissions of Lessee, any of Lessee's employees, agents, or contractors, or any of their employees, agents or sub-contractors. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Lessor or the Premises, the Building or the Office Building Project, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount not less than one hundred ten percent (110%) of the amount of such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys' fees and costs in participating in such action if Lessor shall decide it is to Lessor's best interest so to do.

(e) All alterations, improvements, additions and Utility installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation, and lighting and telephone or communication systems, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the lease term, unless Lessor requires their removal pursuant to paragraph 7.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 7.3(e), Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2.

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility Installations for which a building permit is required.

(g) Lessee shall be allowed to maintain any automatic teller machines (ATM) existing on the Premises on the Commencement Date. In addition, Lessee may install one night depository and/or one or more ATM(s) protruding through the exterior walls of the Office Building Project on the Premises, at any time during the Term of the Lease, subject to all applicable laws and regulations and Lessor's prior written approval, which shall not be unreasonably withheld. Lessor's approval shall not be deemed unreasonably withheld if based on concerns regarding the impact of the installation of the night depository or ATM(s) upon the structure or aesthetics of the Office Building Project, the projected traffic flow or the safety of Lessor's and Lessee's employees, representatives and invitees. Subject to Lessor's ability to withhold approval for the installation of night depository and ATM(s) as set forth above, Lessor shall cooperate with Lessee to install the night depository and ATM(s) in such a manner as to provide adequate security for night depository and ATM users. At the expiration of the Term, Lessor may require the removal of any night depository and ATM(s) installed by Lessee and the restoration of the Premises to their prior condition.

7.4 UTILITY ADDITIONS. Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, security systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.

## 8. INSURANCE; INDEMNITY.

8.1 LIABILITY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease a policy of Comprehensive General Liability insurance utilizing an Insurance Services Office standard form with Broad Form General Liability Endorsement (GL0404), or equivalent, in an amount of not less than \$2,000,000 per occurrence of bodily injury and property damage combined or in a greater amount as reasonably determined by Lessor and shall insure Lessee with Lessor and any mortgagee of which Lessee has been provided notice as additional insureds against liability arising out of the use, occupancy or maintenance of the Premises. Compliance with the above requirement shall not, however, limit the liability of Lessee hereunder.

8.2 LIABILITY AND EARTHQUAKE INSURANCE-LESSOR. Although Lessor shall not be required to maintain any liability or earthquake insurance, any premiums for such insurance maintained by Lessor relating to the Premises, the Building or the Office Building Project shall be Operating Expenses hereunder.

8.3 PROPERTY INSURANCE-LESSEE. Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, replacement cost all-risks insurance, including without limitation fire and extended coverage insurance, with vandalism and malicious mischief, sprinkler leakage and earthquake sprinkler leakage endorsements, in an amount sufficient to cover not less than 100% of the full replacement costs, as the same may exist from time to time, of all of Lessee's personal property, fixtures, equipment and tenant improvements, less the amount of such standard deductibles as determined by Lessee.

8.4 PROPERTY INSURANCE-LESSOR. Lessor shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Office Building Project improvements, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass, and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Office Building Project. In addition, Lessor shall obtain and keep in force, during the term of this Lease, a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all Operating Expenses for said period. Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these paragraphs 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. In the event that the Premises shall suffer an insured loss as defined in paragraph 9.1(f) hereof, the deductible amounts under the applicable insurance policies shall be deemed an Operating Expense. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Office Building Project over what it was immediately prior to the commencement of the term of this Lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee.

8.5 INSURANCE POLICIES. Lessee shall deliver to Lessor copies of liability insurance policies required under paragraph 8.1 or certificates evidencing the existence and amounts of such insurance within seven (7) days after the Commencement Date of this Lease.

Each policy required to be obtained by Lessee hereunder shall: (a) be issued by insurers authorized to do business in the state in which the Building is located and rated not less than financial class X, and not less than policyholder rating A, in the most recent version of Best's Key Rating Guide, or the equivalent rating in any other comparable guide selected by Lessor (provided that, in any event, the same insurance company shall provide the coverages described in paragraphs 8.1 and 8.3 above); (b) be in form reasonably satisfactory from time to time to Lessor; (c) name Lessee as named insured thereunder and shall name Lessor and, at Lessor's request, Lessor's mortgagees and ground lessors of which Lessee has been informed in writing, as additional insureds (d) not have a deductible amount exceeding Twenty-Five Thousand Dollars (\$25,000.00); (e) specifically provide that the insurance afforded by such policy for the benefit of Lessor and Lessor's mortgagees and ground lessors shall be primary, and any insurance carried by Lessor or Lessor's mortgagees and ground lessors shall be excess and non-contributing; (f) except for worker's compensation insurance, contain an endorsement that the insurer waives its right to subrogation as described in paragraph 8.6 below; and (g) contain an undertaking by the insurer to notify Lessor (and the mortgagees and ground lessors of Lessor who are named as additional insureds) in writing not less than ten (10) days prior to any material change, reduction in coverage, cancellation or other termination thereof. Lessee agrees to deliver to Lessor, as soon as practicable after the placing of the required insurance, but in no event later than ten (10) days after the date Lessee takes possession of all or any part of the Premises, certified copies of each such insurance policy (or certificates from the insurance company evidencing the existence of such insurance and Lessee's compliance with the foregoing provisions of this paragraph 8). Lessee shall cause replacement policies or certificates to be delivered to Lessor not less than ten (10) days prior to the expiration of any such policy or policies. If any such initial or replacement policies or certificates are not furnished within the time(s) specified herein, Lessee shall be deemed to be in material default under this Lease without the benefit of

any additional notice or cure period provided herein, and Lessor shall have the right, but not the obligation, to procure such policies and certificates at Lessee's expense.

8.6 WAIVER OF SUBROGATION. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide.

8.7 INDEMNITY. Lessee shall indemnify and hold harmless Lessor and its officers, directors, contractors, agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims, actions, liabilities, costs, penalties and expenses of any kind and nature for damage to the person (including death) or property of anyone or any entity arising from Lessee's use of the Office Building Project, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims, costs and expenses arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, employees or invitees and from and against all costs, attorneys' fees, expenses and liabilities incurred by Lessor as the result of any such use, conduct, activity, work, things done, permitted or suffered, breach, default or negligence, and in dealing reasonably therewith, including but not limited to the defense or pursuit of any claim or any action or proceeding involved therein; and in case any action or proceeding be brought against Lessor by reason of any such matter, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon or about the Office Building Project arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. Notwithstanding anything to the contrary contained in this paragraph 8.7, Lessee shall not indemnify Lessor or any other person from any loss, liability or expense to the extent that a cause was (i) negligence or misconduct on the part of Lessor or any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such loss, liability, expense or defect was the result of any negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.8 EXEMPTION OF LESSOR FROM LIABILITY. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Office Building Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Office Building Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Office Building Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible, Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Office Building Project, nor from the failure of Lessor to enforce the provisions of any other lease of any other lessee of the Office Building Project. Notwithstanding anything to the contrary contained in this paragraph 8.8, nothing contained herein shall exempt Lessor from liability which it otherwise would have, to the extent that it is attributable to (i) negligence or misconduct on the part of Lessor or any of Lessor's agents, contractors, employees or invitees or (ii) any defect in the Office Building Project, unless such liability or defect was the result of any negligence or misconduct on the part of Lessee or any of Lessee's agents, contractors, employees or invitees.

8.9 NO REPRESENTATION OF ADEQUATE COVERAGE. Lessor makes no representation that the limits or forms of coverage of insurance specified in this paragraph 8 are adequate to cover Lessee's property or obligations under this Lease.

9. DAMAGE OR DESTRUCTION.

9.1 DEFINITIONS.

(a) "Premises Damage" shall mean if the Premises are damaged or destroyed to a significant extent.

(b) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent (50%) of the then Replacement Cost of the Building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%) or more of the then Replacement Cost of the Building.

(d) "Office Building Project Buildings" shall mean all of the buildings on the Office Building Project site.

(e) "Office Building Project Buildings Total Destruction" shall mean if the Office Building Project Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent (50%) or more of the then Replacement Cost of the Office Building Project Buildings.

(f) "Insured Loss" shall mean damage or destruction which was caused by an event either required to be covered by the insurance described in paragraph 8 or for which no coverage is required by the insurance described in paragraph 8, but for which Lessor is nonetheless insured. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(g) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring, excluding all improvements made by lessees, other than those installed by Lessor at Lessee's expense.

## 9.2 PREMISES DAMAGE; PREMISES BUILDING PARTIAL DAMAGE.

(a) Insured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Building Partial Damage, then Lessor shall, as soon as reasonably possible and to the extent sufficient insurance proceeds are available and the required materials and labor are readily available through usual commercial channels, at Lessor's expense, repair such damage (but not Lessee's fixtures, equipment or tenant improvements originally paid for by Lessee, unless Lessor, its employees, agents or representatives were responsible for such damage) to its condition existing at the time of the damage, and this Lease shall continue in full force and effect. Notwithstanding the foregoing, in the event that such Premises Building Partial Damage was caused by the negligent act or omission of Lessee, its agents, employees or contractors, Lessor shall be required to repair such damage only to the extent that insurance proceeds are available to cover the cost of such repair, and any portion of the cost of repair for which insurance proceeds are unavailable shall be borne by Lessee.

(b) Uninsured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the Term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

9.3 PREMISES BUILDING TOTAL DESTRUCTION; OFFICE BUILDING PROJECT TOTAL DESTRUCTION. Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage, whether or not it is an insured Loss, which falls into the classifications of either (i) Premises Building Total Destruction, or (ii) Office Building Project Total Destruction, then Lessor may at Lessor's option either (i) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements unless Lessor, its employees, agents or representatives were responsible for such damage, and this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage.

## 9.4 DAMAGE NEAR END OF TERM.

(a) Subject to paragraph 9.4(b), if at any time during the last eighteen (18) months of the Term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than thirty (30) days after the occurrence of an Insured Loss falling within the classification of Premises Damage during the last eighteen (18) months of the term of this Lease. If Lessee duly exercises such option during said thirty (30) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements, unless Lessor, its employees, agents or representatives were responsible for such damage, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said thirty (30) day period, then Lessor may at

Lessor's option terminate and cancel this Lease as of the expiration of said thirty (30) day period by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of said thirty (30) day period, notwithstanding any term or provision in the grant of option to the contrary.

#### 9.5 ABATEMENT OF RENT; LESSEE'S REMEDIES.

(a) If, in the event of Premises Damage, Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 9, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder (including Lessee's Share of Operating Expenses) for the period during which such damage, repair or restoration continues shall be abated to the extent in excess of rental interruption insurance or loss insurance proceeds received by Lessor and credited to Lessee for the payment of rent hereunder, provided (1) the damage was not the result of the negligence of Lessee, and (2) such abatement shall only be to the extent to which the Premises Damage interferes with Lessee's use of the Premises. Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this paragraph 9 or if Lessor elects to repair or restore the Premises or the Building under paragraph 9.2(b), and shall not immediately commence diligent repair or restoration efforts (including, without limitation, submitting applications for building permits) after such occurrence, or if Lessor shall not complete the restoration and repair (as evidenced by receipt of a certificate of occupancy, temporary certificate of occupancy or other relevant certification that improvements have been completed) within nine (9) months after such occurrence, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion, respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice. Notwithstanding the foregoing, if Lessor believes that it will be unable to complete the restoration and repair of the Premises or the Building within nine (9) months from the date of such occurrence, Lessor shall so notify Lessee as soon as such determination is made by Lessor, and Lessee shall have the option to allow Lessor a longer period of time within which to complete the restoration or repair or to terminate the Lease upon ten (10) days written notice to Lessor.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specifications required.

9.6 TERMINATION-ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this paragraph 9, all advance rent and any advance payments made by Lessee to Lessor, less any amounts due and owing to Lessor under the Lease, shall be refunded to Lessee. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.7 WAIVER. Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

#### 10. REAL PROPERTY TAXES.

10.1 PAYMENT OF TAXES. Lessor shall pay the Applicable Taxes, as defined in paragraph 4.2, applicable to the Office Building Project subject to reimbursement by Lessee of Lessee's Tax Share in accordance with the provisions of paragraph 4.3, except as otherwise provided in paragraph 10.2.

10.2 ADDITIONAL IMPROVEMENTS. Lessee shall not be responsible for paying any increase in Applicable Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Office Building Project by other lessees or by Lessor for the exclusive enjoyment of any other lessee.



Lessee shall, however, pay to Lessor at the time that Operating Expenses are payable under paragraph 4.3 the entirety of any increase in Applicable Taxes if assessed solely by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request.

10.3 JOINT ASSESSMENT. If the improvements or property, the taxes for which are to be paid separately by Lessee under paragraph 10.2 or 10.4 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 PERSONAL PROPERTY TAXES.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. UTILITIES.

11.1 SERVICES PROVIDED BY LESSOR. Lessor shall provide heating, ventilation, air conditioning and janitorial service as reasonably required, reasonable amounts of electricity for normal lighting and office machines, tap water for reasonable and normal drinking and lavatory use, and replacement light bulbs and/or florescent tubes and ballasts for standard overhead fixtures. Janitorial service shall be provided Monday through Friday with the exception of holidays designated by Lessor. All such water, gas and electricity shall be available to the Premises 24 hours a day, seven (7) days a week for normal office purposes. Costs incurred by Lessor in providing such services to Lessee that are not directly metered to Lessee shall be Operating Expenses.

11.2. SERVICES EXCLUSIVE TO LESSOR. Lessee shall pay for all gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If any such services are not separately metered to the Premises, Lessee shall pay a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises in the Building.

11.3 HOURS OF SERVICE. Said services and utilities shall be provided during the hours between 8:00 a.m. and 6:00 p.m. on Monday through Friday and between 8:00 a.m. and 12:00 noon on Saturday or such other days or hours as may hereafter be set forth in the Rules and Regulations or any amendment thereto. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 EXCESS USAGE BY LESSEE. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security services, over standard office usage for the Office Building Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessee shall reimburse Lessor for the costs of all HVAC and electricity for lights furnished to the Premises before 8:00 a.m. and after 6:00 p.m. on business days and after 12:00 noon on Saturday and before 8:00 a.m. on Monday. Lessor may, with the consent of Lessee, which shall not be

unreasonably withheld, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 INTERRUPTIONS. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service, when the cause thereof was beyond Lessor's reasonable control. In the case of any such interruption, Lessor shall immediately take all reasonable steps to restore the interrupted utilities and services.

## 12. ASSIGNMENT AND SUBLETTING.

12.1 LESSOR'S CONSENT REQUIRED. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 13.1. "Transfer" within the meaning of this paragraph 12 shall include the transfer or transfers aggregating: (a) if Lessee is a corporation, more than fifty percent (50%) of the voting stock of such corporation or (b) if Lessee is a partnership, more than fifty percent (50%) of the profit and loss participation in such partnership. Notwithstanding the foregoing to the contrary, Lessee may assign or sublet the Premises or any portion thereof to any affiliate or subsidiary of Lessee upon notice to Lessor, but without the consent of Lessor.

### 12.2 TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT AND SUBLETTING.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the rent and other sums due Lessor hereunder including Lessee's Share of Operating Expenses, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment without being deemed to have consented thereto.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 of this Lease.

(d) If Lessee's obligations under this Lease have been guaranteed by third parties, then an assignment or sublease, and Lessor's consent thereto, shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(e) The consent by Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; provided, however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessee under this Lease or such sublease.

(f) In the event of any default under this Lease, Lessor may proceed directly against Lessee, any guarantors or anyone else responsible for the performance of this Lease, including the sublessee, without first

exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor or Lessee.

(g) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgment that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

(h) The discovery of the fact that any financial statement relied upon by Lessor in giving its consent to an assignment or subletting was materially false shall, at Lessor's election, render Lessor's said consent null and void.

(i) In no event shall Lessee enter into a sublease or assignment of the Ground Floor for any use other than as a retail bank branch or of the Upper Floors for any use other than general office use.

12.3 ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO SUBLETTING. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessee shall have the right to rely upon any such statement and request from Lessor, and that such sublessee shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or Lessor for any such rents so paid by said sublessee to Lessor.

(b) No sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. In entering into any sublease, Lessee shall use only such form of sublease as is satisfactory to Lessor, and once approved by Lessor, such sublease shall not be changed or modified without Lessor's prior written consent. Any sublessee shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessor has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) With respect to any subletting to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to the sublessee. Such sublessee shall have the right to cure a default of Lessee within five (5) business days after service of said notice of default upon such sublessee, and the sublessee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by the sublessee.

(f) Notwithstanding anything to the contrary in the foregoing, fifty percent (50%) of any rent or other economic consideration received by Lessee as a result of an assignment or subletting which exceeds, in the aggregate, (i) the total rent which Lessee is obligated to pay to Lessor under the Lease (prorated to reflect obligations allocable to any portion of the Premises subleased), plus (ii) any reasonable and customary brokerage commissions (not to exceed three percent (3%) of base rent payable under the assignment or sublease), and reasonable attorneys' or consultant's fees actually paid by Lessee in connection with such assignment or subletting, shall be paid to Lessor within ten (10) business days after receipt thereof as additional rent hereunder, without altering or reducing any other obligations of Lessee hereunder.

(g) Notwithstanding anything to the contrary contained in this paragraph 12, Lessor shall convey to Lessee in writing its approval or reasonable disapproval of any assignment or subletting, no more than fifteen (15) business days following receipt of Lessee's written request, along with any additional information and/or documentation reasonably requested by Lessor. Lessor's failure to respond to Lessee's request for approval of any assignment of subletting within such fifteen (15) day period shall be conclusively deemed an approval of such request.

12.4 LESSOR'S EXPENSES. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable costs and expenses incurred in connection therewith, including without limitation, attorneys', architects', engineers' and other consultants' fees.

12.5 CONDITIONS TO CONSENT. Lessor reserves the right to condition any approval to assign or sublet upon Lessor's determination that (a) the proposed assignee or sublessee shall conduct a business on the Premises of a quality substantially equal to that of Lessee and consistent with the general character of the other occupants of the Office Building Project and not in violation of any exclusives or rights then held by other lessees, and (b) the proposed assignee or sublessee be at least as financially responsible as Lessee was expected to be at the time of the execution of this Lease or of such assignment or subletting, whichever is greater.

### 13. DEFAULT; REMEDIES.

13.1 DEFAULT. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee:

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of sixty (60) days or more, whether or not the rent is paid.

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 7.3(a),(b) or (d) (alterations), 12.1 (assignment or subletting), 13.1(a) (vacation or abandonment), 13.1(e) (insolvency), 13.1(f) (false statement), 16(a) (estoppel certificate), 30(b) (subordination), 33 (auctions), or 41.1 (easements), all of which are hereby deemed to be material, non-curable defaults without the necessity of any notice by Lessor to Lessee thereof.

(c) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) Lessee becoming a "debtor" as defined in 11 U.S.C. (S) 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

#### 13.2 LESSOR'S REMEDIES.

(a) Termination. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the immediate option to terminate this Lease and all rights of Lessee hereunder. In the event that Lessor shall elect to so terminate this Lease, then Lessor may recover from Lessee:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonable avoided; plus

(iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease including, but not limited to: attorneys' fees; brokers' commissions; the costs of refurbishment, alterations, renovation and repair of the Premises; and removal (including the repair of damage caused by such removal) and storage (or disposal) of Lessee's personal property, equipment, fixtures, Lessee's alterations, additions, leasehold improvements and any other items which Lessee is required under this Lease to remove but does not remove.

As used in subparagraphs (i) and (ii), above, the "worth at the time of award" is computed by allowing interest at the maximum interest rate which Lessor is permitted by law to charge to Lessee (the "Lease Rate"). As used in subparagraph (iii), above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Re-Entry Rights. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed, stored and/or disposed of pursuant to this Lease or any other procedures permitted by applicable law. No re-entry or taking possession of the Premises by Lessor pursuant to this paragraph 13.2(b), and no acceptance of surrender of the Premises or other action on Lessor's part, shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction.

(c) Continuation of Lease. In the event of any default by Lessee, in addition to any other remedies available to Lessor under this Lease, at law or in equity, Lessor shall have the right to continue this Lease in full force and effect, whether or not Lessee shall have abandoned the Premises. The foregoing remedy shall also be available to Lessor pursuant to California Civil Code Section 1951.4 and any successor statute thereof in the event Lessee has abandoned the Premises. In the event Lessor elects to continue this Lease in full force and effect pursuant to this paragraph 13.2(c), then Lessor shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due. Lessor's election not to terminate this Lease pursuant to this paragraph 13.2(c) or pursuant to any other provision of this Lease, at law or in equity, shall not preclude Lessor from subsequently electing to terminate this Lease or pursuing any of its other remedies.

(d) Rights and Remedies Cumulative. All rights, options and remedies of Lessor contained in this paragraph 13.2 and elsewhere in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease. Nothing in this paragraph 13.2 shall be deemed to limit or otherwise affect Lessee's indemnification of Lessor pursuant to any provision of this Lease.

13.3 DEFAULT BY LESSOR. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first Mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

13.4 LATE CHARGES. Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expenses or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, Lessee's Share of Operating Expenses, Lessee's Tax Share or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within fifteen (15) business days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 5% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

14. CONDEMNATION. If the Premises or any portion thereof or the Office Building Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expenses and Lessee's Tax Share shall be reduced as set forth in paragraph 4.2 in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. INTENTIONALLY OMITTED.

16. ESTOPPEL CERTIFICATE.

(a) Each party (as "responding party") shall at any time upon not less than ten (10) business days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a

statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed, and (iii) in the case of Lessee, certify as to such other matters as may be requested by Lessor or by a prospective purchaser or encumbrancer of all or any part of the Office Building Project. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Office Building Project or of the business of Lessee.

(b) At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond, without any further notice to such party, or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, (iii) if Lessor is the requesting party, not more than one month's rent has been paid in advance, and (iv) if Lessor is the requesting party, there are no remaining obligations of the requesting party under this Lease yet to be performed.

17. LESSOR'S LIABILITY. The term "Lessor" as used herein shall mean only the owner or owners and any receiver, at the time in question, of the fee title or a Lessee's interest in a ground lease of the Office Building Project, and except as expressly provided in this Lease, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. SEVERABILITY. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law or judgments from the date due (the "Lease Rate"). Payment of such interest shall not excuse or cure any default by Lessee under this Lease; provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

20. TIME OF ESSENCE. Time is of the essence with respect to the obligations to be performed under this Lease.

21. ADDITIONAL RENT. All monetary obligations of Lessee to Lessor under the terms of this Lease, including but not limited to Lessee's Share of Operating Expense and any other expenses payable by Lessee hereunder shall be deemed to be rent.

22. INCORPORATION OF PRIOR AGREEMENTS; AMENDMENTS. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that no real estate broker nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Office



Building Project and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease.

23. NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail, and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. In addition, a copy of all notices pertaining to any event of default, termination of tenancy or any matters which may give rise to a dispute between the parties shall also be delivered to Lessee at: Fidelity Federal Bank, 600 North Brand Boulevard, P.O. Box 1631, Glendale, California 91209, Attention: Legal Department. Mailed notices shall be deemed given upon actual receipt at the address required, or forty-eight hours following deposit in the mail, postage prepaid, whichever first occurs. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.

24. WAIVERS. No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. RECORDING. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

26. HOLDING OVER. If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that the rent payable shall be one hundred twenty percent (120%) of the rent payable immediately preceding the termination date of this Lease, and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. COVENANTS AND CONDITIONS. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

29. BINDING EFFECT; CHOICE OF LAW. Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California applicable to contracts to be wholly performed within such State.

30. SUBORDINATION.

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall, without the necessity of Lessee or any other party executing any additional documentation, be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be; provided, however, that Lessor must use best efforts to secure from lender a nondisturbance agreement containing provisions which are reasonable and customary for commercial leasing transactions. Lessee's failure to execute such documents within fifteen (15) business days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee.

31. ATTORNEYS' FEES.

31.1 If either party named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith.

31.3 Lessor shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notices of default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such default.

32. LESSOR'S ACCESS.

32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and "Office For Lease" signs, and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs.

32.2 All activities of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

33. AUCTIONS. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent. The holding of any auction on the Premises or Common Areas in violation of this paragraph shall constitute a material default of this Lease.

34. SIGNS. Lessee shall not place any additional permanent sign upon the Premises or the Office Building Project without Lessor's prior written consent; provided, however, that Lessee may replace any currently existing permanent sign upon the Premises or the Office Building Project with the consent of Lessor, which consent shall not be unreasonably withheld. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project. Notwithstanding the foregoing, Lessee shall be allowed to maintain, and Lessor hereby approves of, all permanent signs existing on the Premises and the Office Building Project as of the Commencement Date. Additionally, Lessee shall be entitled to affix its other customary signs, advertising placards, names, insignia, trademarks and other descriptive materials to the interior of the Ground Floor of the Premises in accordance with the signage plan attached hereto as Exhibit D (except that signs notifying Lessee's customers of branch holiday closings may be placed on the entrance doors to the Premises and the doors from the Premises to the Building lobby); provided that all such signs, advertising placards, and other descriptive materials shall be commercially printed and shall occupy no more than ten percent (10%) of the interior surface area of the glass on the Ground Floor of the Premises.

35. MERGER. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

36. CONSENTS. Except for paragraphs 33 (auctions) and 34 (signs) hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

37. GUARANTOR. In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Lessee under this Lease.

38. QUIET POSSESSION. Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized

and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

### 39. OPTIONS.

39.1 DEFINITION. As used in this paragraph the work "Option" has the following meaning: (i) the right or option to extend the term of this Lease or to renew this Lease or (ii) the right or option to purchase the Office Building Project.

39.2 OPTIONS PERSONAL. Each Option granted to Lessee in this Lease is personal to the original Lessee and may be exercised only by the original Lessee while occupying the Premises who does so without the intent of thereafter assigning this Lease or subletting the Premises or any portion thereof, and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Lessee; provided, however, that an Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 12.2 of this Lease. The Options, if any, herein granted to Lessee are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise.

39.3 MULTIPLE OPTIONS. In the event that Lessee has any multiple options to extend or renew this Lease a later option cannot be exercised unless the prior option to extend or renew this Lease has been so exercised.

### 39.4 EFFECT OF DEFAULT ON OPTIONS.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(c) or 13.1(d) and continuing until the noncompliance alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) and continuing until the obligation is paid, or (iii) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, during the 12-month period of time immediately prior to the time that Lessee attempts to exercise the subject Option, (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants or conditions of this Lease.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessee fails to commence to cure a default specified in paragraph 13.1(d) within thirty (30) days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion, (iii) Lessor gives to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, or (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants and conditions of this Lease.

39.5 OPTION TO EXTEND TERM. Lessee shall have the Option to extend the term of the Lease for the Ground Floor only on all the provisions of the Lease (modified to reflect the lease of the Ground Floor only), including the annual increase in Base Rent set forth in paragraph 4.8.1 hereof, except for monthly Base Rent, for two (2) consecutive five-year terms (each an "extended term") following expiration of the initial Term of the Lease, by giving written notice of exercise of each Option (the "option notice") to Lessor at least six (6) months, but no more than nine (9) months before the expiration of the existing term of the Lease, at an annual Base Rent equal to the higher of the "fair market rental rate" or the prevailing Base Rent payable by Lessee in the twelve (12) months immediately preceding the extended term. The "fair market rental rate" for the extended term shall be determined as set forth in paragraph 4.8.4 hereof, except that Lessor shall provide written notice of the fair market rental rate not later than thirty (30) days after the last day on which the option notice may be given by Lessee and the determination of the appraisers regarding whether Lessor's or Lessee's submitted fair market rental rate for the Ground Floor is the closest to the actual fair market rental rate for the Ground Floor shall be based upon the projected fair market rental rate as of the commencement date of the extended term.

39.6 OPTION TO PURCHASE. Lessee shall have an Option to purchase the Office Building Project upon expiration of the initial term of the Lease at fair market value, provided that Lessor then owns the Office Building Project, by delivering written notice of exercise of the Option (the "option notice") to Lessor at least six (6) months but no more than nine (9) months before the expiration of the initial term of the Lease. The "fair market value" shall mean and refer to the sales price of comparable first class office buildings in the Glendale/Burbank area that were sold in transactions that were negotiated at arms length, under no threat of condemnation or foreclosure, but excluding sales made to a lender or its affiliate pursuant to a foreclosure sale and sales subject to options to purchase (collectively, "Comparable Sales") in last year prior to the end of the initial term, taking into consideration the highest and best use for the Office Building Project, location, condition, existing leases, entitlements, encumbrances, title and all other matters which typically affect market value of a building. If less than five (5) such Comparable Sales were made in the last year prior to the end of the initial term, then fair market value shall refer to Comparable Sales made in the last two (2) years prior to the end of the Term. In order to determine the fair market value for purposes hereof, Lessor shall provide written notice of the fair market value not later than thirty (30) days after the last day upon which the option notice could be given. Lessee shall have fifteen (15) days (Lessee's Review Period") after receipt of Lessor's notice within which to accept such fair market value or to reasonably object thereto in writing. Failure of Lessee to so object to the fair market value submitted by Lessor in writing within Lessee's Review Period shall conclusively be deemed its approval thereof. In the event Lessor objects to the fair market value submitted by Lessor, Lessor and Lessee shall attempt in good faith to reach agreement on such fair market value within forty-five (45) days following Lessee's Review Period (the "Outside Agreement Date"), after which each party's determination shall be submitted to appraisal as follows. Lessor and Lessee shall each appoint one independent appraiser who shall by profession be a real estate appraiser who has been active over the five (5) year period ending on the date of such appointment in the evaluation of sales of commercial properties in the Glendale/Burbank area. The determination of the appraisers shall be limited solely to the issue of whether Lessor's or Lessee's submitted fair market value for the Office Building Project is the closest to the actual fair market value for the Office Building Project as determined by the appraisers, taking into account the requirements for Comparable Sales outlined above. Such decision shall be based upon the projected fair market value as of the proposed sales date of the Office Building Project. Each such appraiser shall be appointed within fifteen (15) days of the Outside Agreement Date. The two (2) appraisers so appointed shall within fifteen (15) days of the date of the appointment of the last appointed appraiser agree upon and appoint a third appraiser who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two (2) appraisers. The three (3) appraisers shall within (30) days of the appointment of the third appraiser reach a decision as to whether the parties shall use Lessor's or Lessee's submitted fair market value, and shall notify the parties thereof. The decision of the majority of the three (3) appraisers shall be binding upon Lessor and Lessee. If either Lessor or Lessee fails to appoint an appraiser within the time period specified hereinabove, the appraiser appointed by one of them shall reach a decision based upon the same procedures as set forth above and shall

notify Lessor and Lessee thereof, and such appraiser's decision shall be binding upon Lessor and Lessee. If the two (2) appraisers fail to agree upon and appoint a third appraiser, both appraisers shall submit the limited issue of choosing the third appraiser to arbitration under the provisions of the American Arbitration Association, based upon the same procedures as set forth above. The cost of the appraisers and/or of arbitration shall be paid by the losing party.

#### 40. SECURITY MEASURES--LESSOR'S RESERVATIONS.

40.1 Lessor shall have the obligation to provide guard service in the lobby of the Office Building Project from the hours of 8:00 a.m. to 6:00 p.m. Monday through Friday and to provide a parking lot attendant from the hours of 8:00 a.m. to 4:00 p.m. Monday through Thursday and from the hours of 8:00 a.m. to 6:00 p.m. on Friday for the benefit of the Premises or the Office Building Project and the cost thereof shall be included within the definition of Operating Expenses. Nothing herein contained shall prevent Lessor, at Lessor's sole option, from providing additional security protection for the Office Building Project or any part thereof, in which event the cost thereof shall be included within the definition of Operating Expenses, as set forth in paragraph 4.2(g). Notwithstanding the foregoing or any other provisions of this Lease, Lessor and Lessee acknowledge that Lessor shall have no responsibility or liability for the security or safety of Lessee's employees or customers utilizing the night depositories or ATM(s) installed on the Premises.

40.2 Without limiting its rights at law or elsewhere under this Lease, Lessor shall have the following rights:

(a) To change the name, address or title of the Office Building Project or building in which the Premises are located upon not less than 90 days' prior written notice;

(b) To, at Lessee's expense, provide and install Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate;

(c) To permit any lessee the exclusive right to conduct any business as long as such exclusive does not conflict with any rights expressly given herein;

(d) To place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Office Building Project or on pole signs in the Common Areas.

40.3 Lessee shall not:

(a) Use a representation (photographic or otherwise) of the Building or the Office Building Project or their name(s) in connection with Lessee's business (other than in Lessee's annual report) without Lessee's prior consent, which shall not be unreasonably withheld;

(b) Suffer or permit anyone, except in emergency, to go upon the roof of the Building.

#### 41. EASEMENTS.

41.1 Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and

failure to do so shall constitute a material default of this Lease by Lessee without the need for further notice to Lessee.

41.2 The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

42. LESSOR'S RIGHT TO REDEVELOP DURING EXTENSION TERM. If, during the "extended term" (as defined in paragraph 39.5) of this Lease, in connection with the Redevelopment (as defined below) of the Office Building Project, Lessor obtains either approval from the City of Glendale to structurally alter the Office Building Project or a demolition permit from the City of Glendale to demolish all or part of the Office Building Project, Lessor shall have the right, upon one (1) year's prior written notice to Lessee, to require that Lessee temporarily relocate while Lessor completes the Redevelopment; provided that Lessor shall pay for all costs incurred by Lessee in connection with Lessee's relocation, including, but not limited to, moving costs (including insurance associated therewith), telephone and computer installation charges, stationery reprinting costs, utilities hook-up charges, related advertising costs and the cost of any rent payable by Lessee for Comparable Space (as defined in paragraph 4.8.4 hereof) in the Glendale/Burbank area in excess of the then current rent plus expenses payable by Lessee under this Lease during the same period; provided that Lessee shall use its best efforts to obtain Comparable Space at a comparable rental rate. As used in this paragraph, "the Redevelopment" means a change in the structural configuration of the Office Building Project such that the construction would impair the operation of Lessee's business in the Ground Floor of the Premises. After Lessor delivers written notice to Lessee of the Redevelopment, the Lease shall continue in full force and effect until the earlier of (i) the date which is one (1) year from the date of written notice to Lessee of the Redevelopment and (ii) the date on which Lessee vacates the Premises. In the Redevelopment, Lessor shall include space with square footage of not less than 5,000 and not more than 10,000 square feet suitable for Lessee's operation of a retail bank branch on the ground floor of the Building. Lessee shall deliver written notice to Lessor specifying the exact square footage it desires within the range set forth above within three (3) months from the date that Lessor delivers written notice of Redevelopment to Lessee; provided that if Lessee fails to deliver such notice within the time period specified, Lessor shall conclusively determine the size of the retail bank branch space in its sole discretion. Lessor hereby agrees that as part of the Redevelopment, it shall provide to Lessee a credit for tenant improvements on the ground floor of the Building at a price per square foot equal to the price per square foot then being spent by Lessee for tenant improvement in its branches in comparable first class office buildings. Lessor shall complete the Redevelopment within twenty-four (24) months from the earlier of (i) the date which is one (1) year from the date on which Lessor delivered notice of Redevelopment to Lessee or (ii) the date on which Lessor actually commences demolition of the Building. If Lessor fails to complete the Redevelopment within the twenty-four (24) month period specified above, upon relocation by Lessee in the Office Building Project, Lessee shall receive one month's free rent for each month, or any portion thereof, which completion of the Redevelopment is delayed beyond such twenty-four (24) month period; provided, however, that if Lessor's failure to complete the Redevelopment is due to a force majeure event, such twenty-four (24) month period shall be extended by the number of days that Lessor was unable to conduct such redevelopment efforts due to such force majeure event. Lessee shall have the first right of acceptance to lease the ground floor of the Office Building Project upon the same or substantially the same terms of this Lease, except that the term shall be equal to ten (10) years and the price per square foot payable by Lessee shall be equal to the "fair market rental value" determined in the manner set forth in paragraph 4.8.4 hereof; provided that Lessee must deliver written notice to Lessor of exercise of its first right of acceptance as set forth above within thirty (30) days from the date that Lessee vacates the Premises after notice of Redevelopment.

43. LESSOR'S RIGHT TO PERFORM. Except as specifically provided otherwise in this Lease, all covenants and agreements by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any abatement or offset of rent. If Lessee shall fail to pay any sum of money (other than Basic Rent) or perform any other act on its part to be paid or performed hereunder and such failure shall continue for ten (10) days with respect to monetary obligations (or thirty (30) days with respect to non-monetary obligations) then,

notwithstanding anything to the contrary provided elsewhere herein, after Lessee's receipt of written notice thereof from Lessor, Lessor may, without waiving or releasing Lessee from any of Lessee's obligations, make such payment or perform such other act on behalf of Lessee. All sums so paid by Lessor and all necessary incidental costs incurred by Lessor in performing such other acts, together with interest at the Lease Rate, shall be payable by Lessee to Lessor within five (5) days after demand therefor as additional rent. The foregoing rights are in addition to any and all remedies available to Lessor upon Lessee's default as described in paragraph 13.2

44. LIMITATION ON LESSOR'S LIABILITY. Notwithstanding anything contained in this Lease to the contrary, the obligations of Lessor under this Lease (including any actual or alleged breach or default by Lessor) do not constitute personal obligations of the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, or Lessor's mortgagees, and Lessee shall not seek recourse against the individual partners, directors, officers or shareholders of Lessor or Lessor's partners, or Lessor's mortgagees, or any of their personal assets, for satisfaction of any liability with respect to this Lease. In addition, in consideration of the benefits accruing hereunder to Lessee and notwithstanding anything contained in this Lease to the contrary, Lessee hereby covenants and agrees for itself and all of its successor and assigns that the liability of Lessor for its obligations under this Lease (including any liability as a result of any actual or alleged failure, breach or default hereunder by Lessor), shall be limited solely to, and Lessee's and its successors' and assigns' sole and exclusive remedy shall be against, Lessor's interest in the Office Building Project and proceeds therefrom, and no other assets of Lessor.

45. TOXIC MATERIALS.

(a) Definitions.

For purposes of this paragraph 45, "Hazardous Material" shall mean any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action or policy; or

(ii) which is or becomes defined as a "hazardous waste" or "hazardous substance" under any federal, state or local statute, regulation, ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601 et seq.) and the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.); or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of California or any political subdivision thereof; or

(iv) the presence of which on the Premises, Building or Office Building Project causes or threatens to cause a nuisance upon the Premises, Building or Office Building Project or to adjacent properties or poses or threatens to pose a hazard to the Premises, Building or Office Building Project or to the health or safety of persons on or about the Premises, Building or Office Building Project; or

(v) without limitation which contains gasoline, diesel fuel or other petroleum hydrocarbons; or

(vi) without limitation which contains polychlorinated biphenols (PCBs), asbestos or urea formaldehyde foam insulation; or



(vii) which is or becomes defined as "medical waste" under the Medical Waste Management Act (Health & Safety Code Sections 25015-25099.3).

For purposes of this paragraph 45, "Environmental Requirements" means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including without limitation:

(i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of "Hazardous Materials," chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials, or wastes, whether solid, liquid or gaseous in nature; and

(ii) all requirements pertaining to the protection of the health and safety of employees or the public.

For purposes of this paragraph 45, "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence on or after the date upon which Lessee takes possession of the Premises (the "Possession Date") of "Hazardous Material" upon, about, beneath the Premises, Building or Office Building Project or migrating or threatening to migrate to or from the Premises, Building or Office Building Project or the existence of a violation of "Environmental Requirements" pertaining to the Premises, Building or Office Building Project, regardless of whether the existence of such "Hazardous Material" or the violation of "Environmental Requirements" arose prior to the present ownership or operation of the Premises, Building or Office Building Project, and including without limitation:

(i) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, Building or Office Building Project, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Lessee, with respect to which Lessee waives any immunity to which it may be entitled under any industrial or worker's compensation laws;

(ii) fees incurred for the service of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such "Hazardous Materials" or violation of "Environmental Requirements" including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remedial, removal, response, abatement, containment, closure, restoration or monitoring work required by any federal, state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Premises, Building or Office Building Project or any other property or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this Lease or collection of any sums due hereunder;

(iii) liability to any third person or governmental agency to indemnify such person or agency for costs expended in connection with the items referenced in subparagraph (ii) herein; and

(iv) diminution in the value of the Premises, Building or Office Building Project, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises, Building or Office Building Project.

(b) Lessee's Obligations.

Lessee, at its sole cost and expense, shall comply with all Environmental Requirements relating to the storage, use and disposal of all Hazardous Materials, including those materials identified in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30 ("Title 22") as the same may be amended from time to time. If Lessee does store, use or dispose of any Hazardous Materials, Lessee shall notify Lessor in writing at least ten (10) days prior to the first appearance of such materials on the Premises, Building or Office Building Project, and Lessor shall have the right to disapprove of Lessee's use thereof on the Premises (provided that Lessor's failure to disapprove thereof shall not constitute Lessor's approval thereof or excuse Lessee from complying with the terms of this paragraph 45), and Lessee's failure to so notify Lessor shall constitute a default under this Lease. Lessee shall be solely responsible for and shall protect, defend, indemnify, and hold Lessor, its agents and contractors harmless from and against all Environmental Damages arising out of or in connection with the storage, use and disposal of Hazardous Materials by Lessee, its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees. If the presence of Hazardous Materials on the Premises, Building or Office Building Project caused or permitted by Lessee results in contamination or deterioration of water or soil resulting in a level of contamination greater than the levels established by any governmental agency having jurisdiction over such contamination, then Lessee shall, at its sole cost and expense, promptly take any and all action necessary to clean up such contamination if required by law or as a condition to the issuance or continuing effectiveness of any governmental approval which relates to the use of the Premises, Building or Office Building Project. If at any time prior to the expiration of the Lease term, Lessor shall reach a reasonable good faith determination that Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees have at any time violated any Environmental Requirements, discharged any Hazardous Material onto the Premises, Building or Office Building Project, or surrounding areas or otherwise subjected Lessor or the Office Building Project to liability for Environmental Damages, then Lessor shall have the right to require Lessee to conduct appropriate tests of water and soil and to deliver to Lessor the result of such tests to demonstrate that no contamination in excess of legally permitted levels has occurred as a result of Lessee's use of the Premises, Building or Office Building Project. If the presence of Hazardous Materials on the Premises, Building or Office Building Project is caused or permitted by Lessee or its officers, employees, agents, representatives, servants, sublessees, concessionaires, licensees, contractors, invitees or permittees such that Lessor or Lessee becomes obligated to conduct the necessary clean-up of such contamination as required above, then, Lessee shall further be solely responsible for, and shall protect, defend, indemnify and hold Lessor, its agents and contractors harmless from and against all claims, costs and liabilities, including actual attorneys' fees, expert witness fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Premises, Building or Office Building Project and any other property of whatever nature to conditions which existed prior to Lessee's use thereof and which are within acceptable levels according to all Environmental Requirements or any other Federal, State or local governmental requirements. Lessee's obligations hereunder shall survive the expiration or earlier termination of this Lease.

46. AUTHORITY. Lessee and Lessor, and each individual executing this Lease on behalf of such entity, represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity. Lessee and Lessor shall, within thirty (30) days after execution of this Lease, deliver to one another evidence of such authority.

47. CONFLICT. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the computer-generated, typewritten or handwritten provisions, if any, shall be controlled by the computer-generated, typewritten or handwritten provisions.

48. NO OFFER. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

49. INTENTIONALLY OMITTED.

50. MULTIPLE PARTIES. If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein, the obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.

51. INTENTIONALLY OMITTED.

53. ATTACHMENTS. Attached hereto are the following documents which constitute a part of this Lease: See Exhibit List below.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

LESSOR

LESSEE

CITADEL REALTY, INC.

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

FIDELITY FEDERAL BANK, FSB

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: President

Address: 600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91209  
Attention: Corporate Properties Department

EXHIBIT LIST  
- - - - -

EXHIBIT A -- Premises

EXHIBIT B -- Legal Description

EXHIBIT C -- Rules and Regulations

EXHIBIT D -- Signage Plan

EXHIBIT A

STANDARD OFFICE LEASE

FLOOR PLAN

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2. Title to said estate or interest at the date hereof is vested in:

FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, A UNITED STATES CORPORATION.

3. The land referred to in this report is situated in the State of California,

County of LOS ANGELES and is described as follows:

LOTS 1, 2, 3, 4, 6, 7 AND 8 OF MCNUTT TRACT, IN THE CITY OF GLENDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 160 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.



EXHIBIT C

RULES AND REGULATIONS FOR  
STANDARD OFFICE LEASE

TO THE EXTENT ANY PROVISION OF THESE RULES AND REGULATIONS CONFLICTS WITH THE TERMS OF THE LEASE, THE PROVISIONS OF THE LEASE SHALL PREVAIL.

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.

2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.

3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Office Building Project.

4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.

5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.

6. No sign, advertisement or notice shall be displayed, printed or affixed on or to the Premises or to the outside or inside of the Building or so as to be visible from outside the Premises or Building without Lessor's prior written consent. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Lessee by Lessor or by a person selected by Lessor and in a manner and style acceptable to Lessor.

7. The sidewalks, halls, passages, exits, entrances, elevators and stairways and other portions of the common areas shall not be obstructed by Lessee or used for any purpose other than for ingress and egress from Lessee's Premises.

8. Toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

9. Lessee shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, ceilings or floor or in any way deface the Premises nor shall Lessee suffer or permit any thing in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.

10. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building, except for the existing ground floor walk-in vault. The times and manner of moving the same in and out of the Building shall be prescribed by Lessor, and all such moving must be done under the supervision of Lessor. Lessor may exclude from the Building any such heavy or bulky equipment or articles, the weight of which may exceed the floor load for which the Building is designed, or such equipment or articles as may violate any provisions of the Lease of which these rules and regulations are a part. Lessee shall not use any machinery or other bulky articles on the Premises, even though its installation may have been permitted, which may cause any noise, or jar, or tremor in the floors or walls, or which by its weight might injure the floor of the Building. Safes or other heavy equipment shall, as considered necessary by Lessor, stand on a platform of such thickness as is necessary to properly distribute the weight.

11. Lessee shall not use or keep in the Premises, Building or Office Building Project any kerosene, gasoline or inflammable, explosive or combustible fluid or material, or use any method of heating or air-conditioning other than that supplied by Lessor.

12. Lessee shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Lessor.

13. Lessee shall cooperate with Lessor in obtaining maximum effectiveness of the cooling system by closing drapes when the sun's rays fall directly on windows of the Premises. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system. Lessee shall not tamper with or change the setting of any thermostats or control valves.

14. The Premises shall not be used for manufacturing or for the storage of merchandise. Lessee shall not, without Lessor's prior written consent, occupy or permit any portion of the Premises to be occupied or used for the manufacture or sale of liquor or tobacco in any form, or as a barber or manicure shop, or as an employment bureau. The Premises shall not be used for lodging or sleeping or for any improper, objectionable or immoral purpose. No auction shall be conducted on the Premises.

15. Lessee shall not make, or permit to be made, any unseemly or disturbing noises, or disturb or interfere with occupants of the Building, the Office Building Project or neighboring buildings or premises or those having business with it by the use of any musical instrument, radio, phonographs or unusual noise, or in any other way.

16. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises, and no cooking (except in microwave ovens for consumption by Lessee's employees) shall be done or permitted by any lessee in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for lessees, their employees and visitors shall be permitted. No lessee shall cause or permit any unusual or objectionable odors to be produced in or permeate from or throughout the Premises.

17. The sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by any lessee, nor shall any bottles, parcels or other articles be placed on the windowsills.

18. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any lessee, nor shall any changes be made in existing locks or the mechanisms thereof unless Lessor is first notified thereof, gives written approval, which shall not be unreasonably withheld, and is furnished a key therefor. Each lessee must, upon the termination of its tenancy, give the Lessor all keys of stores, offices, or toilets and toilet rooms, either furnished to, or otherwise procured by, such lessee, and in the event of the loss of any keys so furnished, such lessee shall pay Lessor the cost of replacing the same or of changing the lock or locks opened by such key if Lessor shall deem it necessary to make such change.

19. Lessor shall have the right to prohibit any advertising by any lessee which, in Lessor's opinion, tends to impair the reputation of the Building or the Office Building Project or its desirability as an office building and upon written notice from Lessor any lessee shall refrain from and discontinue such advertising.

20. Any person employed by any lessee to do janitorial work shall, while in the Building or the Office Building Project and outside of the Premises, be subject to and under the control and direction of the office of the Office Building Project (but not as an agent or servant of Lessor, and the lessee shall be responsible for all acts of such persons).

21. No air conditioning unit or other similar apparatus shall be installed or used by any lessee without the prior written consent of Lessor. Lessee shall pay the cost of all electricity used for air conditioning in the Premises if such electrical consumption exceeds normal office requirements or is attributable to after hours use, regardless of whether additional apparatus is installed pursuant to the preceding sentence.

22. There shall not be used in any space, or in the public halls of the Building, either by any lessee or others, any hand trucks except those equipped with rubber tires and side guards.

23. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be florescent and/or of a quality, type, design and bulb color approved by Lessor. Lessee shall not permit the consumption in the Premises of an average of more than 21/2 watts per net usable square foot in the Premises in respect of office lighting nor shall Lessee permit the consumption in the Premises of more than 11/2 watts per net usable square foot of space in the Premises in respect of the power outlets therein, at any one time. In the event that such limits are exceeded, Lessor shall have the right to remove any lighting fixture or any florescent tube or bulb therein as it deems necessary and/or to charge Lessee for the cost of the additional electricity consumed.

24. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.

25. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Office Building Project.

26. Furniture, significant freight and equipment shall be moved into or out of the Building only with Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.

27. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.

28. Lessor reserves the right to close and lock the Building on Saturdays, Sundays and legal holidays, and on other days between the hours of 8 P.M. and 6:00 A.M. of the following day, or such other hours as Lessor may determine. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry and shall be required to pay such fee for HVAC and other services as may be charged by Lessor.

29. No window coverings, shades or awnings shall be installed or used by Lessee.

30. No Lessee, employee or invitee shall go upon the roof of the Building, except in an emergency.

31. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.

32. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.

33. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent, other than those currently on the Premises for the exclusive use of Lessee and its employees and any replacements thereof.

34. The Premises shall not be used for lodging or manufacturing.

35. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.

36. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.

37. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.

38. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

39. All doors opening onto public corridors shall be kept closed, except when being used for ingress and egress.

40. The requirements of lessees will be attended to only upon application to the Office of the Building.

41. Canvassing, soliciting and peddling in the Building are prohibited and each lessee shall cooperate to prevent the same.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."

2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.

4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.

5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite locations(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.

6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.

8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.

9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.

10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.

11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.

12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

13. Lessor or its agent may tow or otherwise remove any vehicles which are parked illegally in the parking areas, which are parked in the parking areas for more than seventy-two (72) consecutive hours without Lessor's prior written consent or which constitute a nuisance or annoyance to other users of the Office Building Project or parking areas. Such towing shall be at the sole cost and expense of the lessee which is in any way responsible for the presence of such vehicle in the parking area (for example, if the vehicle is parked by any particular lessee's invitee, customer or employer, such lessee shall be responsible for the cost of towing such vehicle).

EXHIBIT J-1

Recording Requested By  
And When Recorded Return To:

Lesley S. Wolf, Esq.  
Gibson, Dunn & Crutcher  
333 S. Grand Ave.  
Los Angeles, California 90071

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(Space above this line for Recorder's use only)

MEMORANDUM OF OPTION

This Memorandum of Option is being executed and recorded to reflect the fact that Fidelity Federal Bank, a Federal Savings Bank ("Optionor"), has granted Citadel Holding Corporation, a Delaware corporation, and its successors and assigns ("Optionee"), the option to purchase, which may be exercised by giving notice as provided therein for a period of time commencing on the date as of which this Memorandum is made, as provided below, and ending no later than August 4, 1995, that certain real property located in the County of Los Angeles, State of California, described on Exhibit "A" attached hereto, on the terms and conditions set forth in that certain Option Agreement made and entered into as of August 4, 1994 by and between Optionor and Optionee.

In witness whereof, the undersigned have entered into this Memorandum of Option as of the 4th day of August, 1994.

FIDELITY FEDERAL BANK, A Federal Savings Bank

By: \_\_\_\_\_

Its: \_\_\_\_\_

(Signatures follow on next page)

CITADEL HOLDING CORPORATION, a Delaware corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF CALIFORNIA     )  
                               )  
COUNTY OF LOS ANGELES  )

On August \_\_, 1994 before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[SEAL]   Signature \_\_\_\_\_

STATE OF CALIFORNIA     )  
                               )  
COUNTY OF LOS ANGELES  )

On August \_\_, 1994 before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

[SEAL]



EXHIBIT "A"  
TO MEMORANDUM OF OPTION

Recording Requested By  
And When Recorded Return To:

Lesley S. Wolf, Esq.  
Gibson, Dunn & Crutcher  
333 S. Grand Ave.  
Los Angeles, California 90071

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(Space above this line for Recorder's use only)

MEMORANDUM OF OPTION

This Memorandum of Option is being executed and recorded to reflect the fact that Fidelity Federal Bank, a Federal Savings Bank ("Optionor"), has granted Citadel Holding Corporation, a Delaware corporation, and its successors and assigns ("Optionee"), the option to purchase, which may be exercised by giving notice as provided therein for a period of time commencing on the date as of which this Memorandum is made, as provided below, and ending no later than August 4, 1995, that certain real property located in the County of Los Angeles, State of California, described on Exhibit "A" attached hereto, on the terms and conditions set forth in that certain Option Agreement made and entered into as of August 4, 1994 by and between Optionor and Optionee.

In witness whereof, the undersigned have entered into this Memorandum of Option as of the 4th day of August, 1994.

FIDELITY FEDERAL BANK, A Federal Savings Bank

By: \_\_\_\_\_

Its: \_\_\_\_\_

(Signatures follow on next page)

CITADEL HOLDING CORPORATION, a Delaware corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On August \_\_, 1994 before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[SEAL] Signature \_\_\_\_\_

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On August \_\_, 1994 before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

[SEAL]

EXHIBIT "A"  
TO MEMORANDUM OF OPTION

Issuing Office: Chicago  
Title Company  
700 SOUTH FLOWER, SUITE 900  
LOS ANGELES, CA 90017

CHICAGO TITLE COMPANY N B U  
700 S. FLOWER, SUITE 900  
BROADWAY PLAZA  
LOS ANGELES, CALIFORNIA 90017

FAX:

ATTN: REINA DUARTE

Your Ref: 600 N. BRAND

Order No. 9414176 - 62

Dated as of July 7, 1994 at 7:30 A.M.

In response to the above referenced application for a policy of title insurance, CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the policy forms should be read. They are available from the office which issued this report.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

	Standard Coverage	Extended Coverage
California Land Title Association Standard Coverage Policy	[-]	[-]
American Land Title Association Owner's Policy	[-]	[X]
A.L.T.A. Residential Title Insurance Policy	[-]	[-]
American Land Title Association Loan Policy	[-]	[-]
Other:	[-]	[-]

/s/ Richard Klein

-----  
Title Officer, RICHARD KLEIN 448-4365

SCHEDULE A

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, A UNITED STATES CORPORATION.

3. The land referred to in this report is situated in the State of California, County of LOS ANGELES and is described as follows:

LOTS 1, 2, 3, 4, 6, 7 AND 8 OF MCNUTT TRACT, IN THE CITY OF GLENDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 160 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SCHEDULE B

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this report would be as follows:

- A 1. PROPERTY TAXES, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES, TO BE LEVIED FOR THE FISCAL YEAR 1994-95 WHICH ARE A LIEN NOT YET PAYABLE.
- B 2. PROPERTY TAXES FOR THE FISCAL YEAR SHOWN BELOW ARE PAID. FOR INFORMATION PURPOSES THE AMOUNTS ARE:  

FISCAL YEAR:	1993-1994
1ST INSTALLMENT:	\$36,036.57
2ND INSTALLMENT:	\$36,036.55
EXEMPTION:	\$NONE
CODE AREA:	4047
ASSESSMENT NO:	5643-018-084
- C 3. THE LIEN OF SUPPLEMENTAL OR ESCAPED ASSESSMENTS OF PROPERTY TAXES, IF ANY, MADE PURSUANT TO THE PROVISIONS OF PART 0.5, CHAPTER 3.5 OR PART 2, CHAPTER 3, ARTICLES 3 AND 4 RESPECTIVELY (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA AS A RESULT OF THE TRANSFER OF TITLE TO THE VESTEE NAMED IN SCHEDULE A; OR AS A RESULT OF CHANGES IN OWNERSHIP OR NEW CONSTRUCTION OCCURRING PRIOR TO DATE OF POLICY.
- D 4. COVENANTS, CONDITIONS AND RESTRICTIONS (DELETING THEREFROM ANY RESTRICTIONS BASED ON RACE, COLOR OR CREED) AS SET FORTH IN THE DOCUMENT  
RECORDED: IN BOOK 3005 PAGE 198 OF DEEDS
- E MODIFICATION(S) OF SAID COVENANTS, CONDITIONS AND RESTRICTIONS  
RECORDED: IN BOOK 4066 PAGE 56 OF DEEDS
- F 5. COVENANTS, CONDITIONS AND RESTRICTIONS (DELETING THEREFROM ANY RESTRICTIONS BASED ON RACE, COLOR OR CREED) AS SET FORTH IN THE DOCUMENT  
RECORDED: IN BOOK 5947 PAGE 224, OF DEEDS
- G 6. COVENANTS, CONDITIONS AND RESTRICTIONS (DELETING THEREFROM ANY RESTRICTIONS BASED ON RACE, COLOR OR CREED) AS SET FORTH IN THE DOCUMENT  
RECORDED: IN BOOK 5269 PAGE 27, OF DEEDS
- H 7. COVENANTS, CONDITIONS AND RESTRICTIONS (DELETING THEREFROM ANY



SCHEDULE B  
(continued)

RESTRICTIONS BASED ON RACE, COLOR OR CREED) AS SET FORTH IN THE DOCUMENT

RECORDED: IN BOOK 6318 PAGE 201, OF DEEDS

I 8. THE RIGHT OF SYLVESTER H. WELCH AND MABEL ANN WELCH, HIS WIFE, THEIR AGENTS, EMPLOYEES, TENANTS, OCCUPANCY AND SERVANTS, TO USE SAID LAND, FOR PURPOSE OF PARKING AUTOMOBILES BELONGING TO THEM, AS PROVIDED IN AGREEMENT BY AND BETWEEN SYLVESTER H. WELCH AND MABEL ANN WELCH, HIS WIFE, AND CHESTER L. ROBERTS AND HIS WIFE, RECORDED IN BOOK 21814 PAGE 295, OFFICIAL RECORDS.

SAID MATTER AFFECTS: LOTS 1 AND 2.

J 9. A LEASE AFFECTING THE PREMISES HEREIN DESCRIBED, EXECUTED BY AND BETWEEN THE PARTIES HEREIN NAMED, WITH CERTAIN TERMS, COVENANTS, CONDITIONS AND PROVISIONS SET FORTH THEREIN.

LESSOR: SYLVESTER H. WELCH AND MABREL ANN WELCH, HUSBAND AND WIFE  
LESSEE: FOSTER AND KLEISER DIVISION OF METROPOLITAN BROADCASTING CORPORATION  
RECORDED: SEPTEMBER 8, 1961 AS INSTRUMENT NO. 3912 IN BOOK M-848 PAGE 283, OFFICIAL RECORDS

K THE PRESENT OWNERSHIP OF THE LEASEHOLD CREATED BY SAID LEASE AND OTHER MATTERS AFFECTING THE INTEREST OF THE LESSEE ARE NOT SHOWN HEREIN.

AFFECTS: LOT 1.

M 10. THE FACT THAT SAID LAND IS INCLUDED WITHIN A PROJECT AREA OF THE REDEVELOPMENT AGENCY SHOWN BELOW, AND THAT PROCEEDINGS FOR THE REDEVELOPMENT OF SAID PROJECT HAVE BEEN INSTITUTED UNDER THE REDEVELOPMENT LAW (SUCH REDEVELOPMENT TO PROCEED ONLY AFTER THE ADOPTION OF THE REDEVELOPMENT PLAN) AS DISCLOSED BY A DOCUMENT.

REDEVELOPMENT AGENCY: THE CENTRAL GLENDALE  
RECORDED: AUGUST 17, 1972 AS INSTRUMENT NO. 2657, DECEMBER 17, 1975 AS INSTRUMENT NO. 2617, AS AMENDED FEBRUARY 8, 1984 AS INSTRUMENT NO. 84-172648.

N 11. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

GRANTED TO: CITY OF GLENDALE, A MUNICIPAL CORPORATION  
PURPOSE: PUBLIC STREET

SCHEDULE B  
(continued)

RECORDED: MAY 10, 1974 AS INSTRUMENT NO. 3715  
AFFECTS: THOSE PORTIONS OF LOTS 1 AND 8, DESCRIBED AS FOLLOWS:

O BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID LOT 1; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 1 A DISTANCE OF 25.11 FEET TO A POINT OF CUSP WITH A TANGENT CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHERLY SOUTHEASTERLY AND EASTERLY ALONG SAID CURVE 23.68 FEET TO ITS POINT OF TANGENCY WITH A LINE PARALLEL WITH AND 10.00 FEET NORTHERLY OF (MEASURED AT RIGHT ANGLES) THE SOUTHERLY LINE OF SAID LOTS 1 AND 8; THENCE EASTERLY ALONG SAID PARALLEL LINE TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET, AND ALSO BEING TANGENT TO THE EASTERLY LINE OF SAID LOT 8; THENCE EASTERLY, NORTHEASTERLY AND NORTHERLY ALONG SAID CURVE 23.45 FEET TO A POINT OF CUSP WITH SAID EASTERLY LINE; THENCE SOUTHERLY ALONG SAID EASTERLY LINE A DISTANCE OF 24.89 FEET TO THE SOUTH EASTERLY CORNER OF SAID LOT 8; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF LOTS 8 AND 1 TO THE POINT OF BEGINNING.

THE ABOVE DESCRIBED PARCEL OF LAND TO BECOME A PART OF BRAND BOULEVARD, DORAN STREET, AND MARYLAND AVENUE.

P 12. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

GRANTED TO: THE CITY OF GLENDALE, A MUNICIPAL CORPORATION, ITS SUCCESSORS AND ASSIGNS

PURPOSE: UNDERGROUND CONDUITS, CABLES, AND OTHER EQUIPMENT FOR THE DISTRIBUTION OF ELECTRICAL ENERGY AND FOR THE TRANSMISSION OF SOUND OR SIGNALS BY ELECTRICITY

RECORDED: FEBRUARY 24, 1976 AS INSTRUMENT NO. 2981

AFFECTS: ALL OF THOSE PORTIONS OF LOTS 2 AND 3, DESCRIBED AS FOLLOWS:

Q A STRIP OF LAND OF A UNIFORM WIDTH OF 5.00 FEET, LYING 2.50 FEET ON EACH SIDE OF, PARALLEL AND CONTIGUOUS TO THE FOLLOWING DESCRIBED CENTERLINE:

BEGINNING AT A POINT IN THE WESTERLY LINE OF LOT 2, DISTANT NORTHERLY THEREON 10.00 FEET FROM THE SOUTHWESTERLY CORNER THEREOF; THENCE NORTH 89 DEGREES 26 MINUTES EAST 125.38 FEET; THENCE NORTH 0 DEGREES 08 MINUTES WEST 85.00 FEET AND THE END OF SAID 5.00 FOOT STRIP;

AND ALL OF THOSE PORTIONS OF LOTS 3, 4 AND 6 OF THE McNUTT TRACT, AS PER MAP RECORDED IN BOOK 11 PAGE 160, OF MAPS, RECORDS OF LOS ANGELES COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

SCHEDULE B  
(continued)

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID LOT 6; THENCE EASTERLY ALONG THE NORTHERLY LINE OF SAID LOT 6 A DISTANCE OF 5.00 FEET; THENCE SOUTH 0 DEGREES 08 MINUTES EAST 5.00 FEET; THENCE SOUTH 89 DEGREES 26 MINUTES WEST 22.00 FEET; THENCE NORTH 0 DEGREES 08 MINUTES WEST 39.00 FEET; THENCE NORTH 89 DEGREES 26 MINUTES EAST 17.00 FEET MORE OR LESS TO THE EASTERLY LINE OF LOT 4 OF SAID McNUTT TRACT; THENCE SOUTH ALONG SAID EASTERLY LINE OF LOT 4, 34.00 FEET MORE OR LESS TO THE POINT OF BEGINNING.

R 13. A DOCUMENT ENTITLED "NOTICE OF ASSESSMENT", DATED NOVEMBER 12, 1986 EXECUTED BY CITY OF GLENDALE, CALIFORNIA, SUBJECT TO ALL THE TERMS, PROVISIONS AND CONDITIONS THEREIN CONTAINED, RECORDED NOVEMBER 17, 1986 AS INSTRUMENT NO. 86-1587432.

S 14. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION VESTING IN THE INSURED THE ESTATE OR INTEREST BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS' RIGHTS LAWS.

T 15. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION CREATING THE INTEREST OF THE MORTGAGE INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS, RIGHTS LAWS.

U 16. MATTERS WHICH MAY BE DISCLOSED BY AN INSPECTION OR SURVEY OF SAID LAND OR BY INQUIRY OF THE PARTIES IN POSSESSION THEREOF.

V AN INSPECTION OF SAID LAND HAS BEEN ORDERED; UPON ITS COMPLETION WE WILL ADVISE YOU OF OUR FINDINGS.

W NOTE NO. 1: THERE ARE NO CONVEYANCES AFFECTING SAID LAND, RECORDED WITHIN SIX (6) MONTHS OF THE DATE OF THIS REPORT.

X NOTE NO. 2: THE CHARGE FOR A POLICY OF TITLE INSURANCE, WHEN ISSUED THROUGH THIS TITLE ORDER, WILL BE BASED ON THE BASIC (NOT SHORT-TERM) TITLE INSURANCE RATE.

Y NOTE NO. 3: IF THIS COMPANY IS REQUESTED TO DISBURSE FUNDS IN CONNECTION WITH THIS TRANSACTION, CHAPTER 598, STATUTES OF 1989 MANDATES HOLD PERIODS FOR CHECKS DEPOSITED TO ESCROW OR SUB-ESCROW ACCOUNTS. THE MANDATORY HOLD PERIOD FOR CASHIER'S CHECKS, CERTIFIED CHECKS AND TELLER'S CHECKS IS ONE BUSINESS DAY AFTER THE DAY DEPOSITED. OTHER CHECKS REQUIRE A HOLD PERIOD OF FROM TWO TO FIVE BUSINESS DAYS AFTER THE DAY DEPOSITED. IN THE EVENT THAT THE PARTIES TO THE CONTEMPLATED TRANSACTION WISH TO RECORD PRIOR TO THE TIME THAT THE FUNDS ARE AVAILABLE FOR DISBURSEMENT (AND SUBJECT TO COMPANY APPROVAL), THE COMPANY WILL REQUIRE THE PRIOR WRITTEN CONSENT OF THE PARTIES. UPON REQUEST, A FORM ACCEPTABLE TO THE COMPANY AUTHORIZING SAID EARLY RECORDING MAY BE PROVIDED TO ESCROW FOR EXECUTION.

WIRE TRANSFERS

SCHEDULE B  
(continued)

THERE IS NO MANDATED HOLD PERIOD FOR FUNDS DEPOSITED BY CONFIRMED WIRE TRANSFER. THE COMPANY MAY DISBURSE SUCH FUNDS THE SAME DAY.

IN THE EVENT YOUR TRANSACTION IS BEING ESCROWED BY A CHICAGO TITLE OFFICE, THEN CONTACT SHOULD BE MADE WITH THAT OFFICE TO OBTAIN CORRECT WIRING INSTRUCTIONS. FAILURE TO DO SO COULD RESULT IN A DELAY IN THE RECEIPT OF FUNDS AND SUBSEQUENT CLOSING OF YOUR TRANSACTION.

CHICAGO TITLE WILL DISBURSE BY WIRE (WIRE-OUT) ONLY COLLECTED FUNDS OR FUNDS RECEIVED BY CONFIRMED WIRE (WIRE-IN). THE FEE FOR EACH WIRE-OUT IS \$25.00. THE COMPANY'S WIRE-IN INSTRUCTIONS ARE:

WIRE-IN INSTRUCTIONS FOR BANK OF AMERICA

TO: CHICAGO TITLE  
ACCOUNT #12358-50729 ROSEMEAD SUBESCROW  
BANK OF AMERICA  
1850 GATEWAY BLVD.  
CONCORD, CA 94520  
ABA #121000358

FOR THE CREDIT OF:

CHICAGO TITLE COMPANY  
1717 WALNUT GROVE  
ROSEMEAD, CA 91770

REFERENCE ORDER NO.: 009414176

Z NOTE NO. 4: WHEN THIS TITLE ORDER CLOSES AND IF CHICAGO TITLE IS HANDLING LOAN PROCEEDS THROUGH SUB-ESCROW, ALL TITLE CHARGES AND EXPENSES NORMALLY BILLED, WILL BE DEDUCTED FROM THOSE LOAN PROCEEDS (TITLE CHARGES AND EXPENSES WOULD INCLUDE TITLE PREMIUMS, ANY TAX OR BOND ADVANCES, DOCUMENTARY TRANSFER TAX AND RECORDING FEES, ETC.).

AA NOTE NO. 5: FOR YOUR INFORMATION, PLEASE NOTE THAT EFFECTIVE JULY 1, 1994 ALL DOCUMENTS TO BE RECORDED IN CALIFORNIA MUST CONFORM TO THE FOLLOWING:

(A) A PAGE FOR THE PURPOSE OF RECORDING SHALL BE ONE PRINTED SIDE OF A SINGLE PIECE OF PAPER WHICH IS 8-1/2 INCHES BY 11 INCHES. IF A PAGE CONFORMS TO THIS 8-1/2" X 11" REQUIREMENT, NO EXTRA FEE WILL BE CHARGED FOR RECORDING.

(B) A SHEET SHALL BE ONE PRINTED SIDE OF A SINGLE PIECE OF PAPER.

SCHEDULE B  
(continued)

WHICH IS NOT EXACTLY 8-1/2 INCHES BY 11 INCHES BUT NOT GREATER THAN 8-1/2 INCHES BY 14 INCHES.

(C) IF A PAGE OR SHEET DOES NOT CONFORM TO THE DIMENSIONS OF 8-1/2 INCHES BY 11 INCHES THE RECORDER SHALL CHARGE \$3.00 EXTRA PER PAGE OR SHEET OF THE DOCUMENT.

THESE CHANGES ARE PURSUANT TO GOVERNMENT CODE SECTIONS 27201, 27361, AND 27361.5 WHICH WERE ENACTED IN THE 1992 LEGISLATIVE SESSION TO BE EFFECTIVE JULY 1, 1994.

AB NOTE NO. 6: BEFORE ISSUING ANY POLICY OF TITLE INSURANCE, THIS COMPANY WILL REQUIRE THAT A FULL COPY OF ANY UNRECORDED LEASE REFERRED TO HEREIN BE FURNISHED TO THIS COMPANY, TOGETHER WITH ALL SUPPLEMENTS, ASSIGNMENTS AND AMENDMENTS, BEFORE ISSUING ANY POLICY OF TITLE INSURANCE.

AC NOTE NO. 7: THIS COMPANY WILL REQUIRE THAT AN ALTA SURVEY OF SAID LAND, SATISFACTORY TO THIS COMPANY, BE SUBMITTED. IT IS RECOMMENDED THAT THE SURVEYOR CONTACT THIS COMPANY PRIOR TO STARTING THE SURVEY.

AD NOTE NO. 8: BEFORE ISSUING ITS POLICY OF TITLE INSURANCE, THIS COMPANY WILL REQUIRE EVIDENCE, SATISFACTORY TO THE COMPANY, THAT FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, A UNITED STATES CORPORATION IS VALIDLY FORMED AND IN GOOD STANDING ON THE DATE WHEN DOCUMENTS IN THIS TRANSACTION ARE TO BE EXECUTED.

ANY INSTRUMENT IN WRITING IN THE NAME OF THE CORPORATION WILL BE SUFFICIENT FOR TITLE INSURANCE PURPOSES IF, PURSUANT TO SECTION 5212 OF THE CALIFORNIA CORPORATIONS CODE, IT IS SIGNED AND ACKNOWLEDGED BY ANY ONE OF THE FOLLOWING OFFICERS:

- . THE CHAIRMAN OF THE BOARD OF DIRECTORS,
- . THE PRESIDENT,
- . ANY VICE PRESIDENT

AND PROVIDED IT IS ALSO SIGNED BY ANY ONE OF THE FOLLOWING ADDITIONAL OFFICERS:

- . THE SECRETARY,
- . ANY ASSISTANT SECRETARY,
- . CHIEF FINANCIAL OFFICER,
- . ASSISTANT TREASURER

ANY DEVIATION FROM THE ABOVE WILL REQUIRE THE SUBMISSION TO THIS COMPANY OF A RESOLUTION OF THE GOVERNING BODY OF SAID CORPORATION AUTHORIZING THE TRANSACTION FOR WHICH THIS REPORT HAS BEEN REQUESTED, TOGETHER WITH A COPY OF SUCH CORPORATION'S BY-LAWS. THE RESOLUTION TO DESIGNATE AS WELL,

SCHEDULE B  
(continued)

THE OFFICERS AUTHORIZED TO EXECUTE ON THE CORPORATION'S BEHALF.

PLATS  
RK/JDF

CHICAGO TITLE INSURANCE COMPANY

Ref: 600 N. Brand

Order No.: 9414176-62

[MAP INSERTED HERE]

EXHIBIT K-2

PRELIMINARY REPORT

CHICAGO TITLE INSURANCE COMPANY

Title Company  
700 SOUTH FLOWER, SUITE 900  
LOS ANGELES, CA 90017

CHICAGO TITLE COMPANY N B U  
700 S. FLOWER, SUITE 900  
BROADWAY PLAZA  
LOS ANGELES, CALIFORNIA 90017

FAX:

ATTN: REINA DUARTE

Your Ref: VENTURA BLVD

Order No. 9414177 - 62

Dated as of July 7, 1994 at 7:30 A.M.

In response to the above referenced application for a policy of title insurance, CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the policy forms should be read. They are available from the office which issued this report.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

	Standard Coverage	Extended Coverage
California Land Title Association Standard Coverage Policy	<input type="checkbox"/>	<input type="checkbox"/>
American Land Title Association Owner's Policy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
A.L.T.A. Residential Title Insurance Policy	<input type="checkbox"/>	<input type="checkbox"/>
American Land Title Association Loan Policy	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>

/s/ Richard Klein

-----  
Title Officer, RICHARD KLEIN 448-4365



SCHEDULE A

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, A CORPORATION.

3. The land referred to in this report is situated in the State of California, County of LOS ANGELES and is described as follows:

PARCEL A, OF PARCEL MAP L.A. NO. 3971, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 97 PAGE 87 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SCHEDULE B

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this report would be as follows:

- A 1. PROPERTY TAXES, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES, TO BE LEVIED FOR THE FISCAL YEAR 1994-95 WHICH ARE A LIEN NOT YET PAYABLE.
- B 2. PROPERTY TAXES FOR THE FISCAL YEAR SHOWN BELOW ARE PAID. FOR INFORMATION PURPOSES THE AMOUNTS ARE:

FISCAL YEAR: 1993-1994  
1ST INSTALLMENT: \$23,870.55  
2ND INSTALLMENT: \$23,870.53  
EXEMPTION: \$NONE  
CODE AREA: 0013  
ASSESSMENT NO: 2265-014-011

- C 3. THE LIEN OF SUPPLEMENTAL OR ESCAPED ASSESSMENTS OF PROPERTY TAXES, IF ANY, MADE PURSUANT TO THE PROVISIONS OF PART 0.5, CHAPTER 3.5 OR PART 2, CHAPTER 3, ARTICLES 3 AND 4 RESPECTIVELY (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA AS A RESULT OF THE TRANSFER OF TITLE TO THE VESTEE NAMED IN SCHEDULE A; OR AS A RESULT OF CHANGES IN OWNERSHIP OR NEW CONSTRUCTION OCCURRING PRIOR TO DATE OF POLICY.

- D 4. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 6103 PAGE 69 OF DEEDS

- E SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OR TRUST MADE IN GOOD FAITH AND FOR VALUE.

- F 5. A COVENANT AND AGREEMENT UPON AND SUBJECT TO THE TRMS AND CONDITIONS THEREIN

EXECUTED BY: LENA CLINITE AND ROSE DEYORIO AND ANTHONY MASCIOTRA  
AND PASQUELINE RAESSLER TRUSTEES OF THE MASCIOTRA  
FAMILY TRUST  
IN FAVOR OF: CITY OF LOS ANGELES  
RECORDED: FEBRUARY 25, 1974 AS INSTRUMENT NO. 3149

REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.

- G AMONG OTHER THINGS, SAID DOCUMENT PROVIDES:

SCHEDULE B  
(continued)

THAT IN CONSIDERATION OF THE APPROVAL OF TENTATIVE TRACT NO. 29614 BY THE ADVISORY AGENCY, WE DO HEREBY PROMISE, COVENANT AND AGREE TO AND WITH THE CITY OF LOS ANGELES AND THE ADVISORY AGENCY OF SAID CITY THAT TO THE EXTENT OF OUR INTEREST, WE AGREE THAT SAID PROPERTY WILL NEVER BE DEVELOPED FOR RESIDENTIAL USE, UNLESS THE REQUIRED DEDICATION OF LAND FOR PARK AND RECREATIONAL PURPOSES OR THE PAYMENT OF FEES IN LIEU THEREOF HAS BEEN MADE.

H THIS COVENANT AND AGREEMENT SHALL RUN WITH THE LAND AND SHALL BE BINDING UPON ANY FUTURE OWNERS, ENCUMBRANCERS, THEIR SUCCESSORS, HEIRS OR ASSIGNS AND SHALL CONTINUE IN EFFECT UNTIL THE PROPER GOVERNMENT AGENCY APPROVES ITS TERMINATION.

I 6. A COVENANT AND AGREEMENT UPON AND SUBJECT TO THE TERMS AND CONDITIONS THEREIN

EXECUTED BY: ANTHONY MASCIOTRA AND PASQUELINE RAESSLER,  
TRUSTEES, ROSE DI YORIO AND LENA CLINITE

IN FAVOR OF: CITY OF LOS ANGELES

RECORDED: FEBRUARY 25, 1974 AS INSTRUMENT NO. 3150

REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.

J AMONG OTHER THINGS, SAID DOCUMENT PROVIDES:

SAID OWNERS HEREBY COVENANT AND AGREE TO AND WITH SAID CITY OF LOS ANGELES TO SUBMIT FOUR COPIES OF A PARKING AREA AND DRIVEWAY PLAN OVER TRACT NO. 29614, TO THE APPROPRIATE DISTRICT OFFICE OF THE BUREAU OF ENGINEERING FOR APPROVAL AND FOR COORDINATION AND REVIEW WITH THE TRAFFIC DEPARTMENT AND THE DEPARTMENT OF BUILDING AND SAFETY, PRIOR TO THE ISSUANCE OF BUILDING PERMITS.

K THIS COVENANT AND AGREEMENT SHALL RUN WITH THE LAND AND SHALL BE BINDING UPON ANY FUTURE OWNERS, ENCUMBRANCERS, THEIR SUCCESSORS, HEIRS OR ASSIGNS AND SHALL CONTINUE IN EFFECT UNTIL THE PROPER GOVERNMENT AGENCY APPROVES ITS TERMINATION.

L 7. A COVENANT AND AGREEMENT UPON AND SUBJECT TO THE TERMS AND CONDITIONS THEREIN

EXECUTED BY: THE OAKS, A LIMITED PARTNERSHIP  
IN FAVOR OF: CITY OF LOS ANGELES  
RECORDED: JULY 13, 1978 AS INSTRUMENT NO. 78-762894

REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.

M. AMONG OTHER THINGS, SAID DOCUMENT PROVIDES:

SCHEDULE B  
(continued)

REGARDING MAINTENANCE OF YARDS FOR AN OVERSIZED BUILDING.

N THIS COVENANT AND AGREEMENT SHALL RUN WITH THE LAND AND SHALL BE  
BINDING UPON ANY FUTURE OWNERS, ENCUMBRANCES, THEIR SUCCESSORS, HEIRS  
OR ASSIGNS AND SHALL CONTINUE IN EFFECT UNTIL THE PROPER GOVERNMENT  
AGENCY APPROVES ITS TERMINATION.

O 8. AN UNRECORDED LEASE AFFECTING THE PREMISES HEREIN DESCRIBED, EXECUTED  
BY AND BETWEEN THE PARTIES HEREIN NAMED, WITH CERTAIN TERMS, COVENANTS,  
CONDITIONS AND PROVISIONS SET FORTH THEREIN

LESSOR: THE OAKS, A LIMITED PARTNERSHIP  
LESSEE: INTEGRITY ENTERTAINMENT CORP., A DELAWARE  
CORPORATION  
DISCLOSED BY: MEMORANDUM OF LEASE  
RECORDED: AUGUST 23, 1978 AS INSTRUMENT NO. 78-933961

P AMONG OTHER THINGS SAID LEASE PROVIDES FOR:

TENANT HAS AN OPTION TO EXTEND THE LEASE FOR AN ADDITIONAL PERIOD OF  
FIVE (5) YEARS.

Q THE PRESENT OWNERSHIP OF THE LEASEHOLD CREATED BY SAID LEASE AND OTHER  
MATTERS AFFECTING THE INTEREST OF THE LESSEE ARE NOT SHOWN HEREIN.

AFFECTS: THIS AND OTHER PROPERTY.

S 9. AN UNRECORDED LEASE AFFECTING THE PREMISES HEREIN DESCRIBED, EXECUTED  
BY AND BETWEEN THE PARTIES HEREIN NAMED, WITH CERTAIN TERMS, COVENANTS,  
CONDITIONS AND PROVISIONS SET FORTH THEREIN

LESSOR: THE OAKS, A LIMITED PARTNERSHIP  
LESSEE: EL TORITO-LA FIESTA RESTAURANTS, INC., A CALIFORNIA  
CORPORATION  
DISCLOSED BY: MEMORANDUM OF LEASE  
RECORDED: OCTOBER 10, 1978 AS INSTRUMENT NO. 78-1125345

T THE PRESENT OWNERSHIP OF THE LEASEHOLD CREATED BY SAID LEASE AND OTHER  
MATTERS AFFECTING THE INTEREST OF THE LESSEE ARE NOT SHOWN HEREIN.

U 10. A NOTICE OF BUILDING(S), STRUCTURE(S) OR PREMISES CLASSIFIED AS (A)  
SUBSTANDARD BUILDING(S) PURSUANT TO THE PROVISIONS OF DIVISION 89 OF  
ARTICLE 1 OF CHAPTER IX OF THE LOS ANGELES MUNICIPAL CODE, BY THE  
DEPARTMENT OF BUILDING AND SAFETY.

RECORDED: JUNE 27, 1994 AS INSTRUMENT NO. 94-1220278

SCHEDULE B  
(continued)

- V 11. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION VESTING IN THE INSURED THE ESTATE OR INTEREST INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS' RIGHTS LAWS.
- W 12. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION CREATING THE INTEREST OF THE MORTGAGE INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS, RIGHTS LAWS.
- X 13. MATTERS WHICH MAY BE DISCLOSED BY AN INSPECTION OR SURVEY OF SAID LAND OR BY INQUIRY OF THE PARTIES IN POSSESSION THEREOF.
- Y AN INSPECTION OF SAID LAND HAS BEEN ORDERED; UPON ITS COMPLETION WE WILL ADVISE YOU OF OUR FINDINGS.
- Z 14. WATER RIGHTS, CLAIMS OR TITLE TO WATER, WHETHER OR NOT SHOWN BY THE PUBLIC RECORDS.
- AA NOTE NO. 1: THERE ARE NO CONVEYANCES AFFECTING SAID LAND, RECORDED WITHIN SIX (6) MONTHS OF THE DATE OF THIS REPORT.
- AB NOTE NO. 2: THE CHARGE FOR A POLICY OF TITLE INSURANCE, WHEN ISSUED THROUGH THIS TITLE ORDER, WILL BE BASED ON THE BASIC (NOT SHORT-TERM) TITLE INSURANCE RATE.
- AC NOTE NO. 3: IF THIS COMPANY IS REQUESTED TO DISBURSE FUNDS IN CONNECTION WITH THIS TRANSACTION, CHAPTER 598, STATUTES OF 1989 MANDATES HOLD PERIODS FOR CHECKS DEPOSITED TO ESCROW OR SUB-ESCROW ACCOUNTS. THE MANDATORY HOLD PERIOD FOR CASHIER'S CHECKS, CERTIFIED CHECKS AND TELLER'S CHECKS IS ONE BUSINESS DAY AFTER THE DAY DEPOSITED. OTHER CHECKS REQUIRE A HOLD PERIOD OF FROM TWO TO FIVE BUSINESS DAYS AFTER THE DAY DEPOSITED. IN THE EVENT THAT THE PARTIES TO THE CONTEMPLATED TRANSACTION WISH TO RECORD PRIOR TO THE TIME THAT THE FUNDS ARE AVAILABLE FOR DISBURSEMENT (AND SUBJECT TO COMPANY APPROVAL), THE COMPANY WILL REQUIRE THE PRIOR WRITTEN CONSENT OF THE PARTIES. UPON REQUEST, A FORM ACCEPTABLE TO THE COMPANY AUTHORIZING SAID EARLY RECORDING MAY BE PROVIDED TO ESCROW FOR EXECUTION.

WIRE TRANSFERS

THERE IS NO MANDATED HOLD PERIOD FOR FUNDS DEPOSITED BY CONFIRMED WIRE TRANSFER. THE COMPANY MAY DISBURSE SUCH FUNDS THE SAME DAY.

IN THE EVENT YOUR TRANSACTION IS BEING ESCROWED BY A CHICAGO TITLE OFFICE, THEN CONTACT SHOULD BE MADE WITH THAT OFFICE TO OBTAIN CORRECT WIRING INSTRUCTIONS. FAILURE TO DO SO COULD RESULT IN A DELAY IN THE RECEIPT OF FUNDS AND SUBSEQUENT CLOSING OF YOUR TRANSACTION.

SCHEDULE B  
(continued)

CHICAGO TITLE WILL DISBURSE BY WIRE (WIRE-OUT) ONLY COLLECTED FUNDS OR FUNDS RECEIVED BY CONFIRMED WIRE (WIRE-IN). THE FEE FOR EACH WIRE-OUT IS \$25.00. THE COMPANY'S WIRE-IN INSTRUCTIONS ARE:

WIRE-IN INSTRUCTIONS FOR BANK OF AMERICA

TO: CHICAGO TITLE  
ACCOUNT #12358-50729 ROSEMEAD SUBESCROW  
BANK OF AMERICA  
1850 GATEWAY BLVD.  
CONCORD, CA 94520  
ABA #121000358

FOR THE CREDIT OF:

CHICAGO TITLE COMPANY  
1717 WALNUT GROVE  
ROSEMEAD, CA 91770

REFERENCE ORDER NO.: 009414177

- AD NOTE NO. 4: WHEN THIS TITLE ORDER CLOSES AND IF CHICAGO TITLE IS HANDLING LOAN PROCEEDS THROUGH SUB-ESCROW, ALL TITLE CHARGES AND EXPENSES NORMALLY BILLED, WILL BE DEDUCTED FROM THOSE LOAN PROCEEDS (TITLE CHARGES AND EXPENSES WOULD INCLUDE TITLE PREMIUMS, ANY TAX OR BOND ADVANCES, DOCUMENTARY TRANSFER TAX AND RECORDING FEES, ETC.).
- AE NOTE NO. 5: BEFORE ISSUING ANY POLICY OF TITLE INSURANCE, THIS COMPANY WILL REQUIRE THAT A FULL COPY OF ANY UNRECORDED LEASE REFERRED TO HEREIN BE FURNISHED TO THIS COMPANY, TOGETHER WITH ALL SUPPLEMENTS, ASSIGNMENTS AND AMENDMENTS, BEFORE ISSUING ANY POLICY OF TITLE INSURANCE.
- AF NOTE NO. 6: BEFORE ISSUING ITS POLICY OF TITLE INSURANCE, THIS COMPANY WILL REQUIRE EVIDENCE, SATISFACTORY TO THE COMPANY, THAT FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, A CORPORATION IS VALIDLY FORMED AND IN GOOD STANDING ON THE DATE WHEN DOCUMENTS IN THIS TRANSACTION ARE TO BE EXECUTED.
- ANY INSTRUMENT IN WRITING IN THE NAME OF THE CORPORATION WILL BE SUFFICIENT FOR TITLE INSURANCE PURPOSES IF, PURSUANT TO SECTION 5212 OF THE CALIFORNIA CORPORATIONS CODE, IT IS SIGNED AND ACKNOWLEDGED BY ANY ONE OF THE FOLLOWING OFFICERS:
- . THE CHAIRMAN OF THE BOARD OF DIRECTORS,
  - . THE PRESIDENT,
  - . ANY VICE PRESIDENT

SCHEDULE B  
(continued)

AND PROVIDED IT IS ALSO SIGNED BY ANY ONE OF THE FOLLOWING ADDITIONAL OFFICERS:

- . THE SECRETARY,
- . ANY ASSISTANT SECRETARY,
- . CHIEF FINANCIAL OFFICER,
- . ASSISTANT TREASURER.

ANY DEVIATION FROM THE ABOVE WILL REQUIRE THE SUBMISSION TO THIS COMPANY OF A RESOLUTION OF THE GOVERNING BODY OF SAID CORPORATION AUTHORIZING THE TRANSACTION FOR WHICH THIS REPORT HAS BEEN REQUESTED, TOGETHER WITH A COPY OF SUCH CORPORATION'S BY-LAWS. THE RESOLUTION TO DESIGNATE AS WELL, THE OFFICERS AUTHORIZED TO EXECUTE ON THE CORPORATION'S BEHALF.

AG NOTE NO. 7: THIS COMPANY WILL REQUIRE THAT AN ALTA SURVEY OF SAID LAND, SATISFACTORY TO THIS COMPANY, BE SUBMITTED. IT IS RECOMMENDED THAT THE SURVEYOR CONTACT THIS COMPANY PRIOR TO STARTING THE SURVEY.

AH NOTE NO. 8: FOR YOUR INFORMATION, PLEASE NOTE THAT EFFECTIVE JULY 1, 1994 ALL DOCUMENTS TO BE RECORDED IN CALIFORNIA MUST CONFORM TO THE FOLLOWING:

(A) A PAGE FOR THE PURPOSE OF RECORDING SHALL BE ONE PRINTED SIDE OF A SINGLE PIECE OF PAPER WHICH IS 8-1/2 INCHES BY 11 INCHES. IF A PAGE CONFORMS TO THIS 8-1/2" X 11" REQUIREMENT, NO EXTRA FEE WILL BE CHARGED FOR RECORDING.

(B) A SHEET SHALL BE ONE PRINTED SIDE OF A SINGLE PIECE OF PAPER WHICH IS NOT EXACTLY 8-1/2 INCHES BY 11 INCHES BUT NOT GREATER THAN 8-1/2 INCHES BY 14 INCHES.

(C) IF A PAGE OR SHEET DOES NOT CONFORM TO THE DIMENSIONS OF 8-1/2 INCHES BY 11 INCHES THE RECORDER SHALL CHARGE \$3.00 EXTRA PER PAGE OR SHEET OF THE DOCUMENT.

THESE CHANGES ARE PURSUANT TO GOVERNMENT CODE SECTIONS 27201, 27361, AND 27361.5 WHICH WERE ENACTED IN THE 1992 LEGISLATIVE SESSION TO BE EFFECTIVE JULY 1, 1994.

PLATS  
RK/JDF

CHICAGO TITLE INSURANCE COMPANY

Ref: Ventura Blvd.

Order No.: 9414177-62

[MAP INSERTED HERE]



PARCEL MAP L.A. NO. 3971

IN THE CITY OF LOS ANGELES  
STATE OF CALIFORNIA

FOR SUBDIVISION PURPOSES

BEING A SUBDIVISION OF LOT 3, TRACT NO. 29614, PER MAP  
FILED IN BOOK 839, PAGES 62 TO 64 INCLUSIVE OF MAPS,  
RECORDS OF LOS ANGELES COUNTY.

[CITY ENGINEER'S CERTIFICATE (PARCEL MAP) INSERTED HERE]

LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy; or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

-----  
EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by

the public records.

EXCLUSIONS

In addition to the exceptions in Schedule B, you are not insured against loss, costs, attorney's fees and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulation concerning:
  - . land use
  - . land division
  - . improvements on the land
  - . environmental protection

This exclusion does not apply to the violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
  - . a notice of exercising the right appears in the public records on the Policy Date
  - . the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
  - . that are created, allowed, or agreed to by you
  - . that are known to you, but not to us, on the Policy Date-- unless they appeared in the public records
  - . that result in no loss to you
  - . that first affect your title after the Policy Date--this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
  - . to any land outside the area specifically described and referred to in item 3 of Schedule A, or
  - . in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

EXCEPTIONS FROM COVERAGE

In addition to the Exclusions, you are not insured against loss, costs, attorney's fees and expenses resulting from:

1. Someone claiming an interest in your land by reason of:
  - A. Easements not shown in the public records
  - B. Boundary disputes not shown in the public records
  - C. Improvements owned by your neighbor place on your land
2. If, in addition to a single family residence, your existing structure consists of one or more Additional Dwelling Units. Item 12 of Covered Title Risks does not insure you against loss, costs, attorneys' fees, and expenses resulting from:
  - A. The forced removal of any Additional Dwelling Unit, or,
  - B. The forced conversion of any Additional Dwelling Unit back to its original use.

If said Additional Dwelling Unit was either constructed or converted to use as a dwelling unit in violation of any law or government regulation.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)  
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE  
and  
AMERICAN LAND TITLE ASSOCIATION LEASEHOLD LOAN POLICY (10-17-92)  
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorney's fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice to the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim or priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
  - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
  - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
    - (a) to timely record the instrument of transfer; or
    - (b) of such recordation to impart notice to purchaser for value or a judgment or lien creditor.

THE ABOVE POLICY FORMS MAY BE ISSUED TO AFFORD EITHER STANDARD COVERAGE OR EXTENDED COVERAGE. IN ADDITION TO THE ABOVE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE IN A STANDARD COVERAGE POLICY WILL ALSO INCLUDE THE FOLLOWING GENERAL EXCEPTIONS:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.  
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

AMERICAN LAND TITLE ASSOCIATION AND OWNER'S POLICY (10-17-92)  
AND  
AMERICAN LAND TITLE ASSOCIATION LEASEHOLD OWNER'S POLICY (10-17-92)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy; or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
  - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
    - (a) to timely record the instrument of transfer; or
    - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

ANNEX A TO  
LETTER AGREEMENT

SCHEDULE FOR DETERMINATION OF CASH RESTRUCTURING FEE PAYABLE TO THE  
LENDERS BASED UPON THE NET CASH AND NON-CASH CONSIDERATION  
RECEIVED OR RETAINED BY CITADEL (OR ITS STOCKHOLDERS OR ITS OR  
THEIR RESPECTIVE DESIGNEES) FROM THE RESTRUCTURING.

TOTAL FAIR MARKET VALUE OF NET CONSIDERATION RECEIVED BY CITADEL*	FAIR MARKET VALUE OF INCREMENTS OF NET CONSOLIDATION RECEIVED BY CITADEL	TOTAL OF RESTRUCTURING FEE INCREMENTS	CUMULATIVE TOTAL MAXIMUM RESTRUCTURING FEE
\$40,000,000 or less	-0-	-0-	\$1,000,000
Up to \$50,000,000	\$10,000 per \$1,000,000	\$100,000	\$1,100,000
Up to \$60,000,000	\$15,000 per \$1,000,000	\$150,000	\$1,250,000
Up to \$70,000,000	\$20,000 per \$1,000,000	\$200,000	\$1,450,000
Up to \$80,000,000	\$50,000 per \$1,000,000	\$500,000	\$1,950,000
Up to \$90,000,000	\$100,000 per \$1,000,000	\$1,000,000	\$2,950,000
Up to \$100,000,000	\$200,000 per \$1,000,000	\$2,000,000	\$4,950,000

\* Fair Market Value of the net consideration from the Restructuring to be determined in writing by the Company's financial advisor, J.P. Morgan Securities Inc. ("Morgan") or such other advisor designated by the Company and acceptable to the Lenders; provided, however, that if any of the Lenders

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contest in writing the valuation by Morgan within thirty (30) Business Days after such Lender's receipt of the Morgan valuation, then the fair market value of such net consideration shall be determined by an independent individual or entity acceptable to the Company and the Lenders, with the fees and expenses of such individual or entity to be borne 50% by the Company and 50% by the Lenders.



ASSIGNMENT OF OPTION AGREEMENT

This Assignment of Option Agreement ("Assignment") is made as of the 4th day of August, 1994, by and between Citadel Holding Corporation, a Delaware corporation ("Assignor") and Citadel Realty, Inc. ("Assignee").

A. Assignor has entered into that certain Option Agreement with Fidelity Federal Bank, a Federal Savings Bank ("Fidelity"), as optionor and Assignor, as optionee, dated as of August 4, 1994 (the "Option Agreement"). The Option Agreement has been supplemented by a letter agreement of even date herewith, and all references to the Option Agreement shall refer to and include the Option Agreement as so amended and supplemented.

B. Assignor desires to transfer and assign its rights and delegate its duties under the Option Agreement to Optionee. Optionee is a wholly owned subsidiary of Optionor.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledge, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated herein by  
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reference as if fully set forth at this point in the text of this Assignment.

2. Transfer and Assignment. Assignor does hereby sell, assign, convey,  
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transfer, grant, set over and deliver to Assignee all of Assignor's right, title and interest in and to the Option Agreement.

3. Assumption. Assignee hereby accepts such assignment and assumes and  
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agrees to perform all of the terms, covenants and conditions of the Option Agreement to be performed by the optionee thereunder from and after the date hereof.

4. Covenant of Further Assurances. The parties hereto agree to execute  
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such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Assignment.

5. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Assignee and Assignor have executed this Assignment of Option Agreement as of the date written above.

ASSIGNOR:

CITADEL HOLDING CORPORATION, a  
Delaware corporation

By: /s/ Richard M. Greenwood

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Its: President and Chief Executive Officer

ASSIGNEE:

CITADEL REALTY, INC.

By: /s/ Steve Wesson

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Its: President and Secretary

AMENDMENT NO. 2 TO  
EXECUTIVE EMPLOYMENT  
AGREEMENT

Fidelity Federal Bank, A Federal Savings Bank ("Fidelity") and Richard M. Greenwood ("Executive") are parties to an Executive Employment Agreement (the "Agreement") dated as of June 2, 1994, as amended. Fidelity has filed a Form OC, as amended, with the Office of Thrift Supervision (OTS Docket No. 5770), pursuant to which Fidelity proposes to sell shares of its Class A Common Stock and Class C Common Stock. Terms defined in the Form OC shall have their same respective meanings when used herein.

Effective as of the Closing, the Agreement shall be amended as follows:

- (1) References in Section 1 to "Citadel Holding Corporation" and any "affiliate or subsidiary" of Citadel are deleted.
- (2) Section 4(d) is deleted.
- (3) Section 13(i) is deleted.

All of the other terms and provisions of the Agreement shall remain in full force and effect.

In Witness Whereof, Fidelity and Executive have executed and delivered this Amendment No. 2 to the Agreement as of August 4, 1994.

/s/ RICHARD M. GREENWOOD

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Richard M. Greenwood

Fidelity Federal Bank,  
A Federal Savings Bank

By /s/ GODFREY B. EVANS

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Godfrey B. Evans  
Executive Vice President  
and Secretary

## AMENDED AND RESTATED TERM NOTE

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\$240,000.00

Los Angeles, California  
October 29, 1992

FOR VALUE RECEIVED, the undersigned, RICHARD M. GREENWOOD, hereby promises to pay to the order of CITADEL HOLDING CORPORATION, in lawful money of the United States of America and in immediately available funds, the principal amount of TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000.00)

AT: 600 North Brand Boulevard  
Glendale, California 91203,

as set forth below. Principal of this Amended and Restated Term Note shall be payable in full on August 4, 1996 (or such earlier date as the undersigned ceases to be employed by Fidelity Federal Bank, A Federal Savings Bank, or any successor thereto, the "Maturity Date"). This Amended and Restated Term Note

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shall not bear interest until February 4, 1995 and shall bear interest thereafter on the unpaid principal balance thereof until payment in full at the rate of 9% per annum. Interest shall be payable in arrears on the first day of each month, commencing March 1, 1995. Interest shall be computed for the exact number of days elapsed (including the first, excluding the last) on the basis of a year of 365 or 366 days, as applicable.

The undersigned may prepay this Amended and Restated Term Note at any time, in whole or in part, and without penalty.

The undersigned agrees to pay to the holder hereof any and all costs and expenses, including attorneys' fees and expenses, that the holder hereof may incur in connection with the collection of all sums payable hereunder or the exercise or enforcement of any its rights, powers or remedies under this Amended and Restated Term Note or applicable law. Any such amounts shall be payable on demand, with interest at the rate set forth above.

The validity of this Amended and Restated Term Note and the rights of the parties thereto shall be determined under, and this Amended and Restated Term Note shall be governed by, and construed in accordance with, the laws of the State of California.

The undersigned expressly waives any presentment, demand, protest, notice of dishonor or any other notice of any kind in connection with this Amended and Restated Term Note now or hereafter required by applicable law.

IN WITNESS WHEREOF, the undersigned has duly executed this Amended and Restated Term Note on August 4, 1994, effective as of the date set forth above.

/s/ Richard M. Greenwood

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Richard M. Greenwood

August 4, 1994

Citadel Holding Corporation  
600 North Brand Boulevard  
Glendale, California 91203

Gentlemen:

This will refer to the Form OC, filed on June 16, 1994, with the Office of Thrift Supervision (OTS Docket No. 5770), as amended. Terms defined in the Form OC shall have their same respective meanings when used herein.

Effective as of the Closing:

(1) The undersigned hereby resigns as a Director and as the President and Chief Executive Officer of Citadel.

(2) The letter agreement of guaranty and employment between us, dated June 2, 1992, as amended, is hereby terminated.

(3) The term note dated October 29, 1992, (the "Original Note") in the principal amount of \$240,000 made by the undersigned in your favor, as amended by an amendment dated March 24, 1993, is amended and restated as set forth in Exhibit A hereto and made a part hereof (the "Amended Note").

(4) The undersigned will deliver to Citadel the Amended Note and Citadel will return to the undersigned the Original Note.

Please confirm your acceptance (as to (1) above) and agreement (as to (2), (3) and (4) above) by signing the

enclosed copy of this letter and returning it to the undersigned.

Very truly yours,

/s/ Richard M. Greenwood

Richard M. Greenwood

Accepted and agreed.

Citadel Holding Corporation

By /s/ Godfrey B. Evans

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Approved by the Board of  
Directors of Citadel Holding  
Corporation on 7/27, 1994.

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AMENDED AND RESTATED

CHARTER S

FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK  
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SECTION 1. Corporate Title. The full corporate title of the savings bank is "Fidelity Federal Bank, A Federal Savings Bank".

SECTION 2. Office. The home office of the savings bank shall be located in Glendale in the County of Los Angeles, State of California.

SECTION 3. Powers. The savings bank is a capital stock savings bank chartered under Section 5 of the Home Owners' Loan Act and has and may exercise all the express, implied and incidental powers conferred thereby and by all acts amendatory thereof and supplemental thereto, subject to the Constitution and laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Office of Thrift Supervision or any successor agency (the "OTS"). In addition, the savings bank may make any investment and engage in any activity as may be specifically authorized by action of the OTS, including authorization by delegating authority, in connection with action approving the issuance of the charter.



SECTION 4. Duration. The duration of the savings bank is perpetual.

SECTION 5. Capital Stock. The total number of shares of all classes of the capital stock which the savings bank has authority to issue is one hundred million (100,000,000), of which (a) seventy-three million (73,000,000) shall be Class A Common Stock, par value \$.01 per share, ("Class A Common Stock"), (b) fourteen million (14,000,000) shall be Class B Common Stock, par value \$.01 per share ("Class B Common Stock"), (c) three million (3,000,000) shall be Class C Common Stock, par value \$.01 per share ("Class C Common Stock" and, together with the Class A Common Stock and Class B Common Stock, "Common Stock") and (d) ten million (10,000,000) shall be serial preferred stock. The shares may be issued by the savings bank from time to time as approved by its board of directors without the approval of its stockholders except as otherwise provided in this Section 5. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the stated value per share. Neither promissory notes nor future services shall constitute payment or partial payment for the issuance of shares of the savings

bank. The consideration for the shares shall be cash, tangible or intangible property, labor or services actually performed for the savings bank or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor or services, as determined by the board of directors of the savings bank, shall be conclusive. Upon payment of such consideration such shares shall be deemed to be fully paid and nonassessable. In the case of a stock dividend, that part of the surplus of the savings bank which is transferred to stated capital upon the issuance of shares as a share dividend shall be deemed to be the consideration for their issuance.

Effective upon filing of this Amended and Restated Charter S of the savings bank, the share of common stock, par value \$0.01 per share ("Existing Common Stock"), issued and outstanding immediately prior to the filing hereof shall, without any action on the part of the holder thereof, be reclassified as, and changed into, 4,120,000 shares of Class B Common Stock (the "Temporary Shares"). On the Adjustment Date, each Temporary Share shall, without any action on the part of the holder thereof, be reclassified

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as, and changed into the quotient of (i) (A) if the Adjusted Stockholders' Equity of the savings bank is equal to \$86,000,000 and only the Base Shares are issued in the Offering, 4,120,000 shares of Class B Common Stock, or (B) if the Adjusted Stockholders' Equity of the savings bank is less than \$86,000,000 or if more than the Base Shares are issued in the Offering, the Adjusted Class B Number of Shares, in either case divided by (ii) 4,120,000. In addition, upon

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such reclassification, if the Adjusted Stockholders' Equity of the savings bank exceeds \$86,000,000, each Temporary Share shall also be converted into the right to receive from the savings bank an amount in cash equal to the amount of such excess (the "Excess Amount") divided by 4,120,000. On and after the Adjustment

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Date, each certificate representing Temporary Shares (each, a "Temporary Certificate") shall evidence the number of shares of Class B Common Stock and the right to receive the Excess Amount, if any, into which such Temporary Shares are reclassified. As promptly as practicable after presentation to the savings bank at its principal office of a Temporary Certificate, duly endorsed to the savings bank or in blank or accompanied by stock powers duly executed to the savings

bank or in blank, representing Temporary Shares, the savings bank shall deliver to or upon the written order of the holder thereof certificates evidencing the number of shares of Common Stock and the Excess Amount, if any, into which such Temporary Shares are reclassified. Notwithstanding the foregoing, no Temporary Shares shall be reclassified as fractional shares of Class B Common Stock pursuant hereto. In lieu of the reclassification of any Temporary Shares as a fractional share of Class B Common Stock such Temporary Shares shall be reclassified as (in lieu of any fractional share of Class B Common Stock into which such Temporary Shares would otherwise be reclassified, calculated as to each holder based on the aggregate number of shares held by such holder) an amount in cash equal to such fraction multiplied by \$5.25. All share calculations pursuant to this paragraph shall be calculated to the fourth decimal place and rounded to the nearest ten-thousandth of a share with five one hundred-thousandths of a share being rounded upward to the next ten-thousandth of a share, and all dollar amounts shall be rounded to the nearest cent, with one half of one cent being rounded upward to the nearest cent.

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"Adjusted Stockholders' Equity" shall have the meaning assigned to such term in the Form OC (as defined below). "Adjustment Date" shall mean the date on which the savings bank delivers the Bank Certificate to Citadel Holding Corporation. "Bank Certificate" shall mean a certificate of the savings bank, executed on behalf of the savings bank by the Chief Executive Officer and Chief Financial Officer of the savings bank, and setting forth in reasonable detail the Adjusted Stockholders' Equity of the savings bank. "Adjusted Class B Number of Shares" shall mean a number of shares of Class B Common Stock determined such that the quotient of (i) the sum of Adjusted Stockholders' Equity per share of Common Stock (as set forth in the Bank Certificate) at June 30, 1994 plus the

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net proceeds of the offering and sale by the savings bank of shares of Class A Common Stock and Class C Common Stock (the "Offering") pursuant to the Form OC (OTS Docket No. 5770) (in the form in which such Form OC is declared effective by the OTS, the "Form OC") filed with the OTS (net of expenses) divided by (ii)

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the number of outstanding shares of Common Stock after the Offering (giving effect to any reduction in the outstanding shares of Class B Common Stock upon the reclassification of

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the Temporary Shares pursuant to this Section 5) is equal to the amount it would have if Adjusted Stockholders' Equity had equaled \$86,000,000, only the Base Shares had been issued in the Offering and 4,120,000 shares of Class B Common Stock were outstanding. "Base Shares" shall mean 20,952,381 shares of Class A Common Stock and Class C Common Stock offered in the Offering.

Effective at 12:01 A.M. on (i) the day immediately following the Adjustment Date, if no Excess Amount is required to be paid or (ii) if an Excess Amount is required to be paid hereunder, the day on which the Excess Amount is paid in full, this paragraph, the two immediately preceding paragraphs of this Section 5 and the last proviso to Section 5(A)(2)(a)(i) shall be deemed to have no further effect and to be deleted from this Amended and Restated Charter S. Notwithstanding such deletion, the reclassification effected pursuant to such paragraphs (including the payment of any Excess Amount) shall remain in effect after such deletion, and the number of outstanding shares of Class B Common Stock shall remain unaffected by such deletion.

Subject to the rights of any preferred stock outstanding from time to time and except as otherwise expressly provided in Section 5(A) hereof, nothing contained in this Section 5 (or in any supplementary sections hereto) shall entitle the holders of any class or series of capital stock to vote as a separate class or series or to more than one vote per share; provided, however, that this restriction on voting separately by class or series shall not apply to any amendment which would adversely change the specific terms of any class or series of capital stock as set forth in this Section 5 (or in any supplementary sections hereto). An amendment which increases the number of authorized shares of any class or series of capital stock, or substitutes the surviving savings bank or the entity in a merger or consolidation for the savings bank, shall not be considered to be such an adverse change.

No shares of capital stock (including shares issuable upon conversion, exchange or exercise of other securities) shall be issued, directly or indirectly, to officers, directors or controlling persons of the savings bank other than as part of a general public offering, unless their issuance or the plan under which they would be issued has

been approved by a majority of the total number of outstanding shares of Class A Common Stock.

A description of the different classes and series of the savings bank's capital stock and a statement of the designations, and the relative rights, preferences and limitations of the shares of each class of and series of capital stock are as follows:

(A) Common Stock. Except as provided in this Section 5 (or in any supplementary sections hereto) the holders of the Common Stock shall exclusively possess all voting power.

(1) Class A Common Stock. The shares of Class A Common Stock, shares of Class B Common Stock and shares of Class C Common Stock shall be identical in all respects and shall have equal rights and privileges except as set forth in this Section 5.

(a) Dividends and Distributions.

(i) Subject to all of the rights of any preferred stock outstanding from time to time and Sections 5(A)(1)(a)(ii) and (iii) below, such dividends and distributions as may be determined by the Board of Directors of the savings bank from time to time may be declared and paid or made upon



the Class A Common Stock out of any source at the time lawfully available for the payment of dividends provided that identical dividends or distributions are declared and paid or made concurrently upon the Class B Common Stock and Class C Common Stock.

(ii) No dividend may be declared and paid or made in Class A Common Stock unless the dividend is payable only to holders of Class A Common Stock and both (1) a dividend payable in Class B Common Stock is declared and paid or made concurrently in respect of outstanding shares of Class B Common Stock in the same number of shares of Class B Common Stock per outstanding share and (2) a dividend payable in Class C Common Stock is declared and paid or made concurrently in respect of outstanding shares of Class C Common Stock in the same number of shares of Class C Common Stock per outstanding share.

(iii) No distribution of rights to acquire shares of Class A Common Stock may be made unless such distribution is made only in respect of

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Class A Common Stock and a distribution of rights to acquire shares of Class B Common Stock and Class C Common Stock is made concurrently in respect of outstanding shares of Class B Common Stock and Class C Common Stock, respectively, with such rights evidencing the right to acquire the same number of shares of each class per outstanding share and including identical terms as the rights distributed to holders of Class A Common Stock.

(b) Stock Combinations and Subdivisions. Subject to the rights of any preferred stock outstanding from time to time and the provisions of Sections 5(A)(2)(b) and 5(A)(3)(b) hereof, the Class A Common Stock may be combined or subdivided in such manner as may be permitted by applicable law; provided,

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however, that the Class A Common Stock shall not be combined or subdivided

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unless concurrently therewith there is a proportionate combination or subdivision of both the Class B Common Stock and the Class C Common Stock.

(c) Voting. Subject to the rights of any preferred stock outstanding from time to time and the

provisions of Sections 5(A)(2)(c) and 5(A)(3)(c) hereof, the Class A Common Stock shall have exclusive voting power and shall have one vote per share. Without limiting the generality of the foregoing:

(i) With respect to the election of directors of the savings bank, the holders of Class A Common Stock shall (subject to voting rights that may be granted to holders of preferred stock outstanding from time to time) be entitled to elect all directors.

(ii) The holders of the Class A Common Stock shall (subject to voting rights that may be granted to holders of preferred stock outstanding from time to time) be entitled to vote on the removal, with or without cause, of any director.

(iii) Any vacancy in the office of a director shall (subject to voting rights that may be granted to holders of preferred stock outstanding from time to time) be filled by a vote of the holders of Class A Common Stock or, in the absence of a stockholder vote, by the remaining directors.

(2) Class B Common Stock.

(a) Dividends and Distributions.

(i) Subject to the rights of any preferred stock outstanding from time to time and the provisions of Sections 5(A)(2)(a)(ii) and (iii) below, such dividends and distributions as may be determined by the Board of Directors of the savings bank from time to time may be declared and paid or made upon the Class B Common Stock out of any source at the time lawfully available for the payment of dividends provided that identical dividends or distributions are declared and paid or made concurrently upon the Class A Common Stock and the Class C Common Stock; provided, however, that no such concurrent dividend

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shall be required in the event of the payment of the Excess Amount to the holders of the Class B Common Stock pursuant to the second paragraph of Section 5 hereof.

(ii) No dividend may be declared and paid or made in Class B Common Stock unless the dividend is payable only in respect of Class B Common Stock and both (1) a dividend payable in Class A Common

Stock is declared and paid or made concurrently in respect of outstanding shares of Class A Common Stock in the same number of shares of Class A Common Stock per outstanding share and (2) a dividend payable in Class C Common Stock is declared and paid or made concurrently in respect of outstanding shares of Class C Common Stock in the same number of shares of Class C Common Stock per outstanding share.

(iii) No distribution of rights to acquire shares of Class B Common Stock may be made unless such distribution is made only in respect of Class B Common Stock and a distribution of rights to acquire shares of Class A Common Stock and Class C Common Stock is made concurrently in respect of outstanding shares of Class A Common Stock and Class C Common Stock, respectively, with such rights evidencing the right to acquire the same number of shares of each class per outstanding share and including identical terms as the rights distributed to holders of Class B Common Stock.

(b) Stock Combinations and Subdivisions. Subject to the rights of any preferred stock outstanding from time to time and the provisions of Sections 5(A)(1)(b) and 5(A)(3)(b) hereof, the Class B Common Stock may be combined or subdivided in such manner as may be permitted by applicable law; provided, however, that if the Class B Common Stock is combined or

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subdivided, a proportionate combination or subdivision of both the Class A Common Stock and the Class C Common Stock shall be made concurrently therewith.

(c) Voting. Except as otherwise expressly provided in this paragraph (c) or as otherwise required by law, the holders of Class B Common Stock shall have no right to vote on any matters to be voted on by the stockholders of the savings bank (including, without limitation, any election or removal of the directors of the savings bank). Notwithstanding the foregoing, the holders of Class B Common Stock shall have the following voting rights and one vote per share:

(i) No amendment, modification or waiver of any provision of this Amended and Restated Charter S, in any such case which would adversely

affect the rights of the Class B Common Stock (including, without limitation, any increase or decrease in the percentage of shares of outstanding Class B Common Stock required to approve any such amendment, modification or waiver) will be effective without the prior affirmative vote of the holders of a majority of shares of Class B Common Stock at the time outstanding voting as a separate class.

(ii) The holders of the Class B Common Stock shall be entitled to vote, (A) together with the holders of the Class A Common Stock, all such holders of Class A Common Stock and Class B Common Stock voting together as a single class, on any consolidation or merger of the savings bank with or into another Person, any merger of another Person into the savings bank or any sale or conveyance of all or substantially all of the assets of the savings bank to any Person, in each case if, and only if, the holders of the Class A Common Stock are entitled to vote on such matter and (B) together with the holders of Class A

Common Stock and Class C Common Stock, all such holders of Class A Common Stock, Class B Common stock and Class C Common Stock voting together as a single class, on any dissolution of the savings bank.

(iii) Notwithstanding anything herein to the contrary, until shares of Class A Common Stock are issued and become outstanding, the holders of Class B Common Stock shall have all voting power (subject to voting rights that may be granted to holders of preferred stock outstanding from time to time), which voting power shall be exclusive.

(d) Automatic Conversion.

(i) Upon the Transfer (other than by way of a dividend or distribution by CHC to its stockholders generally) by a holder of one or more shares of Class B Common Stock (the "Transferred Shares") and delivery by the transferor to the savings bank of a certificate in form and substance reasonably satisfactory to the savings bank to the effect that, to the best of the transferor's knowledge, immediately after such



Transfer, none of the Transferred Shares will be CHC Shares, or, if any of the Transferred Shares will be CHC Shares, specifying such shares, then the Transferred Shares, other than any CHC Shares, shall immediately and automatically be converted into an equal number of shares of Class A Common Stock. As promptly as practicable after presentation to the savings bank at its principal office of the certificate or certificates, duly endorsed to the savings bank or in blank or accompanied by stock powers duly executed to the savings bank or in blank, representing the Transferred Shares, together with the certificate of the transferor thereof referred to above, the savings bank shall issue and deliver, to or upon the written order of the transferee, certificates representing the shares, if any, of Class A Common Stock into which such Transferred Shares are converted. In case any certificate for shares of Class B Common Stock shall be surrendered for Transfer of only a part of the shares represented thereby or in case any of the Transferred Shares

shall be CHC Shares, the savings bank shall deliver, as promptly as practicable after such surrender, to or upon the written order of the transferor, a certificate or certificates for the number of shares of Class B Common Stock represented by such surrendered certificate that have not been converted into shares of Class A Common Stock.

(ii) Upon the Transfer by way of a dividend or distribution by CHC to its stockholders generally of one or more shares of Class B Common Stock (the "Distributed Shares"), all Distributed Shares constituting Eligible Distributed Shares shall immediately and automatically be converted into an equal number of shares of Class A Common Stock. As promptly as practicable after presentation to the savings bank at its principal office of the certificate or certificates, duly endorsed to the savings bank or in blank or accompanied by stock powers duly executed to the savings bank or in blank, representing the Distributed Shares, the savings bank shall issue

and deliver, to or upon the written order of the transferee, certificates representing the shares, if any, of Class A Common Stock into which such Transferred Shares are converted. In case any certificate for shares of Class B Common Stock shall be surrendered for Transfer by way of such dividend or distribution of only a part of the shares represented thereby or in case any of the Distributed Shares shall not be Eligible Distributed Shares, the savings bank shall deliver, as promptly as practicable after such surrender, to or upon the written order of the transferor (in the case of a Transfer of only part of such shares) or transferee (in the case of a Transfer of Distributed Shares that are not Eligible Distributed Shares), a certificate or certificates for the number of shares of Class B Common Stock represented by such surrendered certificate that have not been converted into shares of Class A Common Stock.

(iii) If, at any time, the number of issued and outstanding shares of Class B Common Stock

shall be less than 10% of the aggregate number of issued and outstanding shares of Common Stock, all such outstanding shares of Class B Common Stock shall, without any further action by the holder thereof, immediately and automatically be converted into an equal number of shares of Class A Common Stock. Upon any such automatic conversion, as promptly as practicable after presentation to the savings bank at its principal office of the certificate or certificates, duly endorsed to the savings bank or in blank or accompanied by stock powers duly executed to the savings bank or in blank, representing any shares of Class B Common Stock, the savings bank shall issue and deliver to or upon the written order of the registered holder of such shares of Class B Common Stock, certificates representing the shares of Class A Common Stock into which such shares of Class B Common Stock are converted.

(3) Class C Common Stock.

(a) Dividends and Distributions.

(i) Subject to the rights of any preferred stock outstanding from time to time and the provisions of Sections 5(A)(3)(a)(ii) and (iii) below, such dividends and distributions as may be determined by the Board of Directors of the savings bank from time to time may be declared and paid or made upon the Class C Common Stock out of any source at the time lawfully available for the payment of dividends provided that identical dividends or distributions are declared and paid or made concurrently upon the Class A Common Stock and the Class B Common Stock.

(ii) No dividend may be declared and paid or made in Class C Common Stock unless the dividend is payable only in respect of Class C Common Stock and both (1) a dividend payable in Class A Common Stock is declared and paid or made concurrently in respect of outstanding shares of Class A Common Stock in the same number of shares of Class A Common Stock per outstanding share and (2) a

dividend payable in Class B Common Stock is declared and paid or made concurrently in respect of outstanding shares of Class B Common Stock in the same number of shares of Class B Common Stock per outstanding share.

(iii) No distribution of rights to acquire shares of Class C Common Stock may be made unless such distribution is made only in respect of Class C Common Stock and a distribution of rights to acquire shares of Class A Common Stock and Class B Common Stock is made concurrently in respect of outstanding shares of Class A Common Stock and Class B Common Stock, respectively, with such rights evidencing the right to acquire the same number of shares of each class per outstanding share and including identical terms as the rights distributed to holders of Class C Common Stock.

(b) Stock Combinations and Subdivisions. Subject to the rights of any preferred stock outstanding from time to time and the provisions of Sections 5(A)(1)(b) and 5(A)(2)(b) hereof, the Class C Common Stock may be

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combined or subdivided in such manner as may be permitted by applicable law; provided, however, that if the Class C Common Stock is combined or

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subdivided, a proportionate combination or subdivision of both the Class A Common Stock and Class B Common Stock shall be made concurrently therewith.

(c) Voting. Except as otherwise expressly provided in this paragraph (c) or as otherwise required by law, the holders of Class C Common Stock shall have no right to vote on any matters to be voted on by the stockholders of the savings bank (including, without limitation, any election or removal of the directors of the savings bank). Notwithstanding the foregoing, (i) no amendment, modification or waiver of any provision of this Amended and Restated Charter S, in any such case which would adversely affect the rights of the Class C Common Stock (including, without limitation, any increase or decrease in the percentage of shares of outstanding Class C Common Stock required to approve any such amendment, modification or waiver) will be effective without the prior affirmative vote of the holders of a majority of shares of Class C Common

Stock at the time outstanding voting as a separate class with each outstanding share of Class C Common Stock having one vote per share and (ii) the holders of shares of Class C Common Stock shall be entitled to vote, together with the holders of Class A Common Stock and Class B Common Stock, all such holders of Class A Common Stock, Class B Common Stock and Class C Common Stock voting together as a single class, on any dissolution of the savings bank.

(d) Conversion Upon Certain Transfers.

(i) In connection with any Transfer of shares of Class C Common Stock:

a. in a public offering registered with the OTS pursuant to 12 C.F.R. Part 563g (or any successor provision);

b. in a Transfer (otherwise than to the savings bank, the Parent or a Controlled Subsidiary) in which the transferor shall make reasonable efforts to prevent the sale to any single person or group of persons acting in concert of a number of shares of Class C Common Stock which, if converted into



Class A Common Stock, would represent more than two percent (2%) of the sum of (1) the outstanding shares of Class A Common Stock and (2) if, and only if, an interpretation is obtained from the Board of Governors of the Federal Reserve System or the staff thereof to the effect that the Class B Common Stock is considered for Regulation Y purposes the same class as the Class A Common Stock, the outstanding shares of Class B Common Stock; or

c. after any required federal regulatory approvals have been obtained, in a single transaction to a third party who acquires or has acquired at least a majority of the Class A Common Stock (including shares of Class A Common Stock issuable on conversion of Class B Common Stock and Class C Common Stock) without regard to the Transfer of such Class C Common Stock,

the purchaser or transferee of such Class C Common Stock may exchange such Class C Common Stock for

Class A Common Stock by presenting to the savings bank the certificates, duly endorsed to the savings bank or in blank or accompanied by stock powers duly executed to the savings bank or in blank, representing the shares of Class C Common Stock, together with a certificate in form and substance reasonably acceptable to the savings bank evidencing compliance with Section 5(A)(3)(d)(i). Upon presentation of such evidence as aforesaid, the savings bank shall deliver as promptly as practicable to such purchaser or transferee certificates representing such number of shares of Class A Common Stock as is equal to the number of shares of Class C Common Stock so presented. In case any certificate for shares of Class C Common Stock shall be surrendered for Transfer of only a part of the shares represented thereby, the savings bank shall deliver, as promptly as practicable after such surrender, to or upon the written order of the transferor, a certificate or certificates for the number of shares of Class C Common Stock represented by such

surrendered certificate that have not been converted into shares of Class A Common Stock. Notwithstanding the foregoing, in the event of a Regulatory Change, the effect of which is to permit a holder of Class C Common Stock which is a Regulated Stockholder to Transfer such shares in a transaction that would permit the transferee to convert the Class C Common Stock into Class A Common Stock, then this Section 5(A)(3)(d)(i) shall be deemed modified to permit such conversion upon such Transfer.

(ii) Shares of Class C Common Stock which are not Transferred in a Transfer satisfying the requirements of Section 5(A)(3)(d)(i) shall not be convertible into Class A Common Stock by the purchaser or transferee in such Transfer but such shares of Class C Common Stock shall be convertible upon any subsequent Transfer that does satisfy the requirements of such Section.

(4) Reservation of Shares. The savings bank shall at all times reserve and keep available out of the authorized and unissued shares of Class A Common Stock, solely for the

purpose of effecting the conversion of the outstanding shares of Class B Common Stock and Class C Common Stock, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Class B Common Stock and Class C Common Stock. If, notwithstanding the foregoing, at any time, the number of authorized and unissued shares of Class A Common Stock shall not be sufficient to effect conversion of the then outstanding shares of Class B Common Stock and Class C Common Stock, the savings bank shall take such corporate action as may be necessary to increase the number of authorized and unissued shares of Class A Common Stock to such number as shall be sufficient for such purposes.

(5) Redemptions, etc. The savings bank will not directly or indirectly redeem, purchase, acquire or take any other action affecting outstanding shares of capital stock of the savings bank if such action will increase the percentage of outstanding voting securities owned or controlled by any Regulated Stockholder and its Affiliates (other than a stockholder which waives in writing its rights under this Section 5(A)(5)), unless the savings bank gives written notice (the "Deferral Notice") of such action to

each Regulated Stockholder. The savings bank will defer making any such redemption, purchase or other acquisition, or taking any other action, for a period of 20 days (the "Deferral Period") after giving the Deferral Notice in order to allow each Regulated Stockholder to determine whether it wishes to take any action with respect to the Common Stock it owns, controls or has the power to vote. The savings bank will not directly or indirectly redeem, purchase, acquire or take any other action affecting outstanding shares of Common Stock of the savings bank if such action will increase over 24.9% the percentage of outstanding Common Stock owned or controlled by any Regulated Stockholder and its Affiliates (other than a stockholder which waives in writing its rights under this Section 5(A)(5)). The provisions of this paragraph (5) shall not apply if, and only so long as, the Class A Common Stock is listed on a national securities exchange or admitted for quotation on the Nasdaq National Market or any successor thereto.

(6) Reorganizations, Reclassifications, Mergers, Etc. In the event there shall be a capital reorganization, reclassification of the stock of the savings bank,

consolidation or merger of the savings bank with or into another Person or sale or conveyance of all or substantially all of the assets of the savings bank to any Person, the amount of any cash, securities or other assets, or any combination thereof, issuable or distributable in respect of each share of Common Stock of each class shall be identical.

(7) Certain Definitions. For purposes of this Section 5 the following defined terms shall have the meanings specified.

"Affiliate" shall mean, with respect to any Person, any other Person that, -----  
directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person.

"Beneficially Owned", when used in connection with any Person with respect -----  
to any shares of Common Stock, shall mean shares of which such Person, together with the Affiliates of such Person, would be deemed to be a beneficial owner within the meaning of Rule 13d-3 or 13d-5 under the Exchange Act; and the term "Beneficial Ownership" shall have a meaning correlative to the foregoing.

"CHC" shall mean Citadel Holding Corporation.  
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"CHC Shares" shall mean, with respect to any shares of Class B Common

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Stock Transferred, any of such shares that, immediately after such Transfer,  
will be Beneficially Owned by CHC or any successor thereto or any Affiliate of  
CHC or such successor or Group of which CHC or any such Affiliate or successor  
is a member.

"Controlled Subsidiary" means any direct or indirect subsidiary of the

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Parent.

"Eligible Distributed Shares" shall mean, with respect to any shares of

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Class B Common Stock, Beneficial Ownership of which is Transferred by CHC to a  
stockholder of CHC by a dividend or distribution made to stockholders of CHC  
generally, all or any portion of such shares as to which the Beneficial Owner  
(or if there shall be more than one, all Beneficial Owners) immediately after  
such distribution of such shares delivers to the savings bank a certificate in  
form and substance reasonably satisfactory to the savings bank to the effect  
that the shares of Class B Common Stock so distributed, or portion thereof, when  
added to all other shares of Class B Common Stock Beneficially Owned immediately  
prior to such distribution by such Beneficial Owner or Beneficial Owners and any  
shares of Class B Common

Stock Beneficially Owned immediately prior to such distribution by all other members of any Group of which such Beneficial Owner is, or Beneficial Owners are, members, do not exceed five percent of all outstanding shares of Common Stock.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.  
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"Group" shall mean any group of Persons formed for the purpose of  
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acquiring, holding, voting or disposing of securities which would be required under Section 13(d) of the Exchange Act and the rules and regulations thereunder (as now in effect and based on present legal interpretations thereof) to file a statement on Schedule 13D as a "person" within the meaning of Section 13(d)(3) of the Exchange Act if such group beneficially owned securities of a class representing more than 5% of all securities of such class then outstanding.

"Parent" means the ultimate Parent of a holder of Class C Common Stock.  
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"Person" shall mean an individual, corporation, partnership, trust,  
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unincorporated organization, government



or any agency or political subdivision thereof or any other entity that may be treated as a person under applicable law.

"Regulated Stockholder" shall mean any stockholder that is subject to the ----- provisions of Regulation Y as a bank holding company or a subsidiary thereof or to 12 C.F.R. Part 574 as a savings and loan holding company or a subsidiary thereof and that holds shares of Common Stock of the savings bank, or shares issued upon the conversion(s) of such shares.

"Regulatory Change" means, with respect to any Regulated Stockholder, (i) ----- any change on or after the date this Amended and Restated Charter S is declared effective by the OTS under United States federal laws or regulations (including the Bank Holding Company Act and Regulation Y thereunder); (ii) the adoption on or after such date of any interpretation or ruling applying to a class of Persons including such Regulated Stockholder under any United States federal laws or regulations by any court or governmental or regulatory authority charged with the interpretation or administration thereof; or (iii) the modification on or after such date of any agreement or commitment of any such

governmental or regulatory authority that is applicable to or binding upon such Regulated Stockholder.

"Regulation Y" shall mean Regulation Y of the Board of Governors of the  
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Federal Reserve System, 12 C.F.R. Part 225 (or any successor to such Regulation).

"Transfer" shall mean to transfer, sell, assign, give, place in trust  
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(voting or otherwise), transfer by operation of law or in any other way dispose of, directly or indirectly, and whether or not voluntarily, any shares of Class B Common Stock or Class C Common Stock of the savings bank; provided, however, that no pledge, lien, security interest or other encumbrance shall be deemed to be a Transfer unless and until such pledge, lien, security interest or encumbrance has been foreclosed and any rights of redemption in connection therewith have expired.

(8) Automatic Removal.

(a) Removal of Class B Common Stock Provisions. At the earliest time when no shares of Class B Common Stock shall be outstanding, the following provisions of Section 5 shall be deemed to have no effect and shall be modified as provided below or deleted and removed from this Amended and Restated Charter to the extent that such provisions have not

already been modified or removed from this Amended and Restated Charter S;  
provided, that such modification, deletion and removal shall not affect the  
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conversion of any shares of Class B Common Stock into other securities of the  
savings bank or the validity of any such securities:

- (i) First paragraph, from "(b) fourteen million" through "('Class B Common Stock')," and "and Class B Common Stock" in clause (c);
- (ii) Second paragraph;
- (iii) Third paragraph;
- (iv) Fourth paragraph;
- (v) Section 5(A)(1), ", shares of Class B Common Stock";
- (vi) Section 5(A)(1)(a)(i), "Class B Common Stock and";
- (vii) Section 5(A)(1)(a)(ii) from "both (1) a dividend payable" through "Class B Common Stock per outstanding share and (2)";
- (viii) Section 5(A)(1)(a)(iii)(a.) from "both (1) such distribution" through "share of each class and (2)";

(ix) Section 5(A)(1)(a)(iii)(b.), both references to "Class B Common Stock and" and ", respectively,";

(x) Section 5(A)(1)(b), "both the Class B Common Stock and" in the first sentence;

(xi) Section 5(A)(1)(c), change "provisions" to "provision" and "Sections" to "Section", remove "5(A)(2)(c) and";

(xii) Section 5(A)(2) in its entirety;

(xiii) Section 5(A)(3)(a)(i), "and the Class B Common Stock";

(xiv) Section 5(A)(3)(a)(ii), "both (1)" and from "and (2) a dividend payable" through "Class B Common Stock per outstanding share";

(xv) Section 5(A)(3)(a)(iii), both references to "and Class B Common Stock" and ", respectively,";

(xvi) Section 5(A)(3)(b), "both", "and the Class B Common Stock", "and Section 5(A)(2)(b)" and the last letter of "Sections";

(xvii) Section 5(A)(3)(d)(i)(b.), "sum of (1) the" and from "and, if and only if, the Class B Common Stock" through "Class A Common Stock, Class B Common Stock";

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(xviii) Section 5(A)(3)(d)(i)(c.), "Class B Common Stock and";

(xix) Section 5(A)(4), all references to "Class B Common Stock and";  
and

(xx) Section 5(A)(7), definitions of "Beneficially Owned", "CHC Shares", "Exchange Act", "Excluded Shares" and "Group" and "Class B Common Stock or" in the definition of "Transfer".

(xxi) Upon the consecutive renumbering of each remaining Section, subsection and paragraph of this Amended and Restated Charter S and after giving effect to each of the provisions of paragraphs (i) through (xix) of this Section 5(A)(8)(a), this Section 5(A)(8)(a).

(b) Removal of Class C Common Stock Provisions. At the earliest time when no shares of Class C Common Stock shall be outstanding, the following provisions of Section 5 shall be deemed to have no further effect and shall be modified as provided below or deleted and removed from this Amended and Restated Charter to the extent that such provisions have not already been modified or removed from this Amended and Restated Charter S; provided, that such  
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modification, deletion and removal shall not affect the conversion of any shares of Class C Common Stock into other securities of the savings bank or the validity of any such securities:

(i) First paragraph, (c), three million (3,000,000) shall be Class C Common Stock, par value \$.01 per share ("Class C Common Stock" and "and Class B Common Stock" in clause (c);

(ii) Section 5(A)(1), "and shares of Class C Common Stock"; and, if necessary, the word "and" shall be added before "shares of Class B Common Stock" if such words have not been previously deleted pursuant to Section 5(A)(8)(a);

(iii) Section 5(A)(1)(a)(i), "and Class C Common Stock";

(iv) Section 5(A)(1)(a)(ii), "both (1)" and from "and (2) a dividend payable" through "Class C Common Stock per outstanding share";

(v) Section 5(A)(1)(a)(iii)(a.), "both (1)" and from "and (2) a distribution of rights" through "and including identical terms";

(vi) Section 5(A)(1)(a)(iii)(b.), both references to "and Class C Common Stock" and ", respectively,";

(vii) Section 5(A)(1)(b), "both" and "and the Class C Common Stock" in the first sentence;

(viii) Section 5(A)(1)(c), change "provisions" to "provision" and "Sections" to "Section", remove "and 5(A)(3)(c)";

(ix) Section 5(A)(2)(a)(i), "and the Class C Common Stock";

(x) Section 5(A)(2)(a)(ii), "both (1)" and from "and (2) a dividend payable" through "Class C Common Stock per outstanding share";

(xi) Section 5(A)(2)(a)(iii), both references to "and Class C Common Stock" and ", respectively,";

(xii) Section 5(A)(2)(b), "both" and "and the Class C Common Stock," the last letter of "Sections" and "and 5(A)(3)(b)";

(xiii) Section 5(A)(3) in its entirety;

(xiv) Section 5(A)(4), all references to "and Class C Common Stock" and, if necessary, the word "and" shall be added before "Class B Common Stock"; and

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(xv) Section 5(A)(7), definition of "Regulation Y" and "or Class C Common Stock" in the definition of "Transfer".

(xvi) Upon the consecutive renumbering of each remaining Section, subsection and paragraph of this Amended and Restated Charter and after giving effect to each of the provisions of paragraphs (i) through (xiv) of this Section 5(A)(8)(b), this Section 5(A)(8)(b).

(c) Removal of Remaining Classification Provisions. At the earliest time when no shares of either Class B Common Stock or Class C Common Stock shall be outstanding, the following provisions of Section 5 shall be deemed to have no further effect and shall be modified as provided below or deleted and removed from this Amended and Restated Charter to the extent that such provisions have not already been modified or removed from this Amended and Restated Charter S; provided, that such modification, deletion and removal shall not affect the

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conversion of any shares of Class B Common Stock or Class C Common Stock into other securities of the savings bank or the validity of any such securities:



- (i) First paragraph, from "and, together with" through "'Common Stock'";
- (ii) Section 5(A)(1), "except as set forth in this Section 5";
- (iii) Section 5(A)(1)(a)(i), "and paragraphs (a)(ii) and (iii) below" and "provided that identical dividends or distributions are declared and paid or made concurrently upon the";
- (iv) Section 5(A)(1)(a)(ii);
- (v) Section 5(A)(1)(a)(iii);
- (vi) Section 5(A)(1)(b), other than the first sentence thereof;
- (vii) Section 5(A)(1)(c), "and the provisions of Sections 5(A)(2)(c) and 5(A)(3)(c) hereof"
- (viii) Section 5(A)(4);
- (ix) Section 5(A)(6);
- (x) Any references to "Class A Common Stock" appearing anywhere in this Amended and Restated Charter S shall be changed to read "Common Stock"; and
- (xi) Upon the consecutive renumbering of each remaining Section, subsection and paragraph of this Amended and Restated Charter S and after giving effect

to each of the provisions of Sections 5(A)(8)(a), 5(A)(8)(b) and 5(A)(8)(c)(i)-(x), this Section 5(A)(8).

(9) Restrictions on Transfer of Common Stock. The Class A Common Stock and Class C Common Stock sold pursuant to the Form OC may not be Transferred prior to the date 30 days after the date on which this Amended and Restated Charter S becomes effective, and the Class B Common Stock may not be Transferred prior to the date 45 days after the date on which this Amended and Restated Charter S becomes effective. Until the filing (the "10-K Filing Date") by the savings bank with the OTS of the savings bank's Annual Report on Form 10-K for its next fiscal year following the fiscal year ended December 31, 1993, such Class A Common Stock and Class C Common Stock may be Transferred only in blocks of 100,000 shares or more, except as described below. During the period referred to in the immediately preceding sentence, the savings bank and transfer agent for the Common Stock will not register any Transfer of Common Stock except where the transferee provides written certification reasonably acceptable to the savings bank that the shares of Common Stock are being Transferred only to the Beneficial Ownership of an Affiliate of the Transferor or an investment

account under the control of the Transferor or an Affiliate of the Transferor. Any purported Transfer of Common Stock in violation of this Section 5(A)(9) shall be void, and the savings bank and the transfer agent for the Common Stock will not register any Transfer of Common Stock in violation of this Section 5(A)(9). Effective at 12:01 A.M. on the date immediately following the 10-K Filing Date, this paragraph 9 shall be deemed to have no further effect and to be deleted from this Amended and Restated Charter S.

(B) Serial Preferred Stock. Subject to the approval of the provisions of any supplementary sections by the OTS, and except as provided in this Section 5, the board of directors of the savings bank is authorized by resolution or resolutions from time to time adopted, to provide in supplementary sections hereto for the issuance of serial preferred stock in series and to fix and state the voting powers, designation, preferences and relative, participating, optional or other special rights of the shares of each such series and the qualifications, limitations and restrictions thereof, including, but not limited to, determination of any of the following:

(1) The distinctive serial designation and the number of shares constituting such series;

(2) The dividend rates or the amount of dividends to be paid on the shares of such series, whether dividends shall be cumulative and, if so, from which date or dates, the payment date or dates for dividends, and the participating or other special rights, if any, with respect to dividends;

(3) The voting powers, full or limited, if any, of shares of such series;

(4) Whether the shares of such series shall be redeemable and, if so, the price or prices at which, and the terms and conditions on which, such shares may be redeemed;

(5) The amount or amounts payable upon the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the savings bank;

(6) Whether the shares of such series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of such shares, and if so entitled, the amount of such fund and

the manner of its application, including the price or prices at which such shares may be redeemed or purchased through the application of such fund;

(7) Whether the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the savings bank and, if so convertible or exchangeable, the conversion price or prices, or the rate or rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(8) The price or other consideration for which the shares of such series shall be issued; and

(9) Whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of serial preferred stock and whether such shares may be reissued as shares of the same or any other series of serial preferred stock.

Each share of each series of serial preferred stock shall have the same relative rights as and be

identical in all respects with all the other shares of the same series.

Prior to the issuance of any preferred shares of a series established by a supplementary Charter section adopted by the board of directors, the savings bank shall file with the OTS a dated copy of that supplementary section of this Amended and Restated Charter establishing and designating the series and fixing and determining the relative rights and preferences thereof.

SECTION 6. Preemptive Rights. Holders of the capital stock of the savings bank shall not be entitled to preemptive rights with respect to any shares of the savings bank which may be issued.

SECTION 7. Liquidation Account. Pursuant to the requirements of the Rules and Regulations for Insurance of Accounts of the Federal Savings and Loan Insurance Corporation, the savings bank shall establish and maintain a liquidation account for the benefit of its savings account holders as of February 28, 1974 and as of June 30, 1981 ("eligible savers"). In the event of a complete liquidation of the savings bank, it shall comply with such rules and

regulations with respect to the amount and the priorities on liquidation of each of the savings bank's eligible savers' inchoate interest in the liquidation account, to the extent it is still in existence. Provided, however, that an eligible saver's inchoate interest in the liquidation account shall not entitle such eligible saver to any voting rights at meetings of the savings bank's stockholders.

SECTION 8. Directors.

(A) The savings bank shall be under the direction of a board of directors. The authorized number of directors shall be such number, not less than seven or greater than fifteen (except when a greater number is approved by the OTS), as may be fixed from time to time by the board of directors pursuant to a resolution adopted by a majority of the entire board of directors. (B) The directors shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for a term of three years and until their successors are elected and qualified. One class shall be elected by ballot annually. (C) The right to cumulate votes in the election of directors shall not exist with respect to the savings bank.

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SECTION 9. Amendment of Charter. Except as provided in Section 5, no amendment, addition, alteration, change, or repeal of this charter shall be made, unless such is first proposed by the board of directors of the savings bank, then preliminarily approved by the OTS, which preliminary approval may be granted by the OTS pursuant to regulations specifying preapproved charter amendments, and thereafter approved by the stockholders by a majority of the total votes eligible to be cast at a legal meeting. Any amendment, addition, alteration, change, or repeal so acted upon shall be effective upon filing with the OTS in



accordance with regulatory procedures or on such other date as the OTS may specify in its preliminary approval.

FIDELITY FEDERAL BANK,  
A FEDERAL SAVINGS BANK

By \_\_\_\_\_  
Richard M. Greenwood  
Chairman of the Board

Attest:

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
Executive Secretary  
Office of Thrift Supervision

OFFICE OF THRIFT SUPERVISION

Declared effective \_\_\_\_\_

By \_\_\_\_\_

AMENDED SERVICE AGREEMENT BETWEEN  
FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK  
AND CITADEL HOLDING CORPORATION

This Amended Service Agreement (the "Agreement") is entered into as of August 1, 1994, by and between FIDELITY FEDERAL BANK, a Federal Savings Bank (the "Bank") and CITADEL HOLDING CORPORATION, a Delaware corporation ("Citadel"), with respect to the following facts.

A. The Bank and Citadel are affiliated entities.

B. The Bank and Citadel previously entered into a Service Agreement dated as of January 1, 1993.

C. The Bank and Citadel desire to amend the Service Agreement to reflect a reduction in the services to be provided by the Bank to Citadel.

D. Citadel has requested the Bank to provide it with a variety of support services, including payroll, legal, accounting, and accounts payable. The Bank is willing to provide such services to Citadel on the terms and conditions set forth in this Agreement.

The parties agree as follows:

ARTICLE I. -- GENERAL

SECTION 1.1 GENERAL OBLIGATIONS OF THE BANK. The Bank shall provide

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Citadel with all payroll, legal, accounting, and accounts payable services as may reasonably be required by Citadel. The accounting services described herein will be coordinated by the Bank's Controller or other Bank officer of a similar level of authority jointly approved by Citadel and the Bank. All services rendered by the Bank pursuant to this Agreement shall be subject to the direct oversight and review of the Designated Citadel Officer (as that term is defined in Section 1.2 of this Agreement). Except as otherwise provided herein, the Bank shall have no authority under this Agreement to bind Citadel to any obligation or act on behalf of Citadel.

SECTION 1.2 GENERAL OBLIGATIONS OF CITADEL. A Citadel officer shall

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oversee the performance of all services of the Bank hereunder. Such officer shall be designated from time to time by Citadel in writing (the "Designated Citadel Officer"). The Designated Citadel Officer shall assist the Bank's employees regarding the performance of services hereunder in accordance with Citadel's policies and procedures. The initial Designated Citadel Officer shall be the President and Chief Executive Officer of Citadel.

SECTION 1.3 PERFORMANCE STANDARDS. The Bank shall provide the

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services pursuant to this Agreement at a level of performance, including timeliness and accuracy, equivalent to the level at which it provides comparable services on its own behalf. The Bank shall handle all checks, wire transfer instructions and negotiable instruments on behalf of Citadel with the same degree of care as it handles its own checks, wire transfer instructions and negotiable instruments.

The Bank shall abide by the policies and procedures of Citadel with respect to the services to be performed hereunder as Citadel shall indicate to the Bank from time to time.

SECTION 1.4 DATA OWNERSHIP. The Bank does not hereby convey, nor

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does Citadel hereby obtain, any right in the programs, systems, data, information or materials (including any of the Bank's customer information to which Citadel may have access) that are utilized or provided by the Bank in the performance of the services under this Agreement. Citadel does not hereby convey, nor does the Bank hereby obtain, any right in the programs, systems, data, information or materials supplied by Citadel to the Bank pursuant to this Agreement regarding Citadel's customers and activities.

SECTION 1.5 CONFIDENTIALITY. It is understood that, in the

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performance by the Bank of its services under this Agreement, the Bank may have access to private or confidential information regarding Citadel and Citadel's customers. The Bank shall use that degree of care it exercises to protect its own private or confidential information to keep, and to have its employees and agents keep, any and all private or confidential information of Citadel strictly confidential and to use such information only for purposes related to this Agreement or as otherwise agreed to by Citadel. The Bank shall disclose such information only to its employees or agents required to have access thereto for the performance of this Agreement. This Section 1.5 is in addition to any other obligation of the Bank or Citadel to maintain the confidentiality of confidential or private information, which obligation arises under any other agreement entered into by the Bank and Citadel.

SECTION 1.6 LIMIT OF OBLIGATION. The Bank's obligation under Section

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1.5 hereof shall not apply to any information supplied that:

- (a) was known to the receiving party prior to the disclosure by the other;
- (b) is or becomes generally available to the public other than by breach of this Agreement; or
- (c) otherwise becomes lawfully available on a non-confidential basis from a third party who is not under an obligation of confidence to the other party.

SECTION 1.7 REGULATION. It is understood and agreed by the parties

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hereto that the performance or receipt of the services hereunder may be subject to regulation or examination by federal and state regulatory agencies. The Bank and Citadel shall each submit and furnish to any such agency such reports or other data as shall be required under applicable law and regulation. If either party so requests, the other party shall notify the first party, and then prior to submission of any such reports or data shall provide the first party with copies of such submissions, unless otherwise provided by applicable law or court order.

SECTION 1.8 PROTECTION OF DATA. The Bank shall maintain such backup

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procedures and other safeguards against the destruction, loss or alteration of any of Citadel's data which the Bank employs in connection with its own data processing, or which shall be required under law or regulation applicable to the Bank.

SECTION 1.9 RISK OF DATA LOSS. Should any of Citadel's data be lost

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or destroyed due to any negligent act or omission of the Bank or any other breach of the security obligations of this Agreement, the Bank will be responsible, at its own expense, for the prompt reconstruction of such data with a high priority allocation of time and resources to complete the reconstruction as quickly as possible.

SECTION 1.10 RECORD RETENTION. The Bank shall implement reasonable

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security measures and procedures to protect records and other documents related to the services performed pursuant to this Agreement from unauthorized access by third parties. Employees of the Bank shall have such access to the records and documents of Citadel as may be required for the performance of the Bank's services hereunder.

ARTICLE II. -- LIMITATION OF LIABILITY

SECTION 2.1 INDEMNIFICATION OF THE BANK. Citadel shall indemnify the

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Bank and its directors, officers, employees and agents ("Bank Indemnified Parties") and hold each of them harmless from and against and defend them against, any and all claims, damages, losses, penalties, expenses, costs and/or liabilities (including attorneys' fees and court costs) that are caused by or result from (a) any gross negligence or willful act or omission of Citadel in the course of or related to Citadel's performance or obligations hereunder or (b) any act or omission of the Bank taken at the express direction of an officer of Citadel, and that are not caused by or the result of the willful misconduct or gross negligence or violation of applicable law by the Bank. Citadel's obligation to indemnify any Bank Indemnified Party will survive the expiration or termination of this Agreement by either party for any reason.

SECTION 2.2 INDEMNIFICATION OF CITADEL. The Bank shall indemnify

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Citadel and its directors, officers, employees and agents ("Citadel Indemnified Parties") and hold each of them harmless from and against and defend them against, any and all claims, damages, losses, penalties, expenses, costs and/or liabilities (including attorneys' fees and court costs) that are caused by or result from (a) any gross negligence or willful act or omission of the Bank in the course of or related to the Bank's performance or obligations hereunder or (b) any act or omission of Citadel taken at the express direction of an officer of the Bank, and that are not caused by or the result of the willful misconduct or gross negligence, or violation of applicable law by Citadel. The Bank's obligation to indemnify any Citadel Indemnified Party will survive the expiration or termination of this Agreement by either party for any reason.

ARTICLE III. -- TERM AND TERMINATION

SECTION 3.1 TERM. This Agreement shall become effective, without

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further action, as of August 1, 1994 (the "Effective Date"). The term of the Agreement shall be month to month from the Effective Date. The Service Agreement entered into as of January 1, 1993 by and between the Bank and Citadel shall terminate on the Effective Date.

SECTION 3.2 TERMINATION BY MUTUAL AGREEMENT; TERMINATION WITHOUT

CAUSE. This Agreement shall be terminated:

(a) immediately upon mutual written agreement of the parties; or

(b) at any time by either party upon thirty (30) days written notice to the other party.

SECTION 3.3 TERMINATION UPON DEFAULT. The breach by either party of

a material term or condition of this Agreement shall constitute an event of default ("Event of Default"). If such Event of Default is not cured by the defaulting party to the reasonable satisfaction of the non-defaulting party within thirty (30) days after delivery of written notice describing the Event of Default, then the non-defaulting party shall be entitled, at its sole election, to terminate this Agreement immediately upon written notice to the other party.

SECTION 3.4 TERMINATION BY REASON OF BANKRUPTCY. In the event of the

occurrence of any of the following events, each party shall have the right to terminate this Agreement immediately upon providing written notice to the other party:

(a) the commencement of any bankruptcy, insolvency, reorganization, dissolution, liquidation of debt, receivership or conservatorship proceeding or other similar proceeding under federal or state bankruptcy, debtors relief, securities, bank regulatory or other law by or against the other party; or

(b) the suspension or termination of business or dissolution of, or the appointment of a receiver, conservator, trustee or similar officer to take charge of, a substantial part of the property of the other party.

SECTION 3.5 TRANSFER OF DATA AND COOPERATION IN TRANSFER. Upon the

expiration or earlier termination of this Agreement for any reason, the Bank shall immediately deliver to Citadel all data, files, records and documents maintained by the Bank on behalf of Citadel under this Agreement, and shall fully cooperate in the transfer of any servicing functions pursuant to this Agreement to Citadel. Citadel shall compensate the Bank for such services to the same extent as if such services had been performed during the term of this Agreement, and the Bank shall perform such services according to such standards, including confidentiality, security and accuracy, as were in effect during the term of this Agreement.

SECTION 3.6 SURVIVAL OF CERTAIN OBLIGATIONS. Expiration or earlier

termination of this Agreement for any reason shall not terminate the obligations set forth in Sections 1.5, 2.1, 2.2 and 3.5 or the obligation of Citadel to make all payments required under Article IV of this Agreement.

ARTICLE IV. -- CONSIDERATION

SECTION 4.1 PERSONNEL EXPENSES. In addition to the sums payable

under Section 4.2 of this Agreement, Citadel shall pay to the Bank a monthly fee (the "Monthly Personnel Fee") for the

use of all of the Bank's employees whose services are used for the benefit of Citadel hereunder (the "Bank Employees"). The Monthly Personnel Fee shall be determined as follows:

A. The Monthly Personnel Fee shall be equal to Citadel's pro rata share of the monthly costs, including all salaries, bonuses, retirement contributions, fringe benefits, social security taxes, unemployment insurance premiums and all other costs, associated with each Bank Employee, multiplied by the percentage of each such Bank Employee's total working time that is devoted to the rendering of services to Citadel hereunder (the "Percentage").

B. The parties agree that, from and after the commencement of the term of this Agreement, the initial Percentage for each Bank Employee shall be conclusively determined to be an amount which reflects the best independent judgment on the part of each of the parties. The Percentage for each Bank Employee, and the Monthly Personnel Fee shall be adjusted periodically as provided below.

C. The Bank shall conduct a written survey to be updated periodically of each Bank Employee to determine the Percentage of the Bank Employee's total working time that is, on average, devoted to the rendering of services to Citadel hereunder. Following completion of such survey, the Bank shall, in its sole discretion, separately determine the amount of the Percentage for each Bank Employee.

D. The Percentage for any Bank Employee that commences rendering services to Citadel hereunder after the commencement of the term of this Agreement shall be established in good faith by the Bank after consultation with Citadel. The Percentage for each such Bank Employee shall thereafter be adjusted as set forth above.

E. The parties recognize and acknowledge that issues regarding the calculation of the appropriate Monthly Personnel Fee for individual Bank Employees are likely to arise which are not addressed by this Section 4.1. In those instances, the Bank shall, following consultation with Citadel, establish in good faith the methodology for determining the Monthly Personnel Fee for such Bank Employees. In doing so, the Bank shall be guided by the general principles reflected in this Section 4.1.

SECTION 4.2 DIRECT EXPENSES. Citadel shall pay its own direct

expenses or shall reimburse to the Bank any direct expenses the Bank may advance at the direction of Citadel and on its behalf. The following shall be considered direct expenses:

- a. Legal and consulting fees.
- b. American Stock Exchange Listing Fees.
- c. Transfer agent fees.
- d. Similar expenses billed to or determined by the Bank using fair and reasonable accounting standards to be expenses of Citadel and not the Bank. Direct

expenses attributable to both the Bank and Citadel shall be allocated between them by the Bank, using fair and reasonable accounting standards.

SECTION 4.3 ALLOCATION OF OVERHEAD. The Bank shall charge Citadel a fair  
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allocation of overhead expenses incurred by the Bank on its behalf that are not direct expenses. The portion allocated to Citadel shall be fixed from time to time by the Bank using fair and reasonable accounting standards.

SECTION 4.4 PROFIT. In addition to the sums payable to the Bank under  
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Sections 4.1 and 4.3 of this Agreement, Citadel shall pay an additional ten percent of such sum representing the profit to the Bank for furnishing services in this Agreement.

SECTION 4.5 PAYMENT OF FEES. Citadel shall pay the payments to the Bank  
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contemplated by this Agreement promptly following the end of each calendar month. Citadel shall establish and maintain a demand deposit account with a bank acceptable to Bank or with the Bank (the "Account") for purposes of effecting the payments to the Bank contemplated by this Agreement. Citadel shall maintain on deposit funds sufficient to allow it to satisfy the payments that are expected to be payable to the Bank during each calendar month. Citadel shall make such other deposits to the Account as may be necessary to maintain the balance of the Account at such a level. In the event that the actual payments owing to the Bank exceed the balance of the Account, Citadel shall, upon the request of the Bank, immediately pay to the Bank the amount of the shortfall. All amounts paid by Citadel to the Account or to the Bank under this Agreement shall be paid in the lawful money of the United States of America. Citadel hereby irrevocably authorizes the Bank to deduct from the Account from time to time all amounts owing to the Bank pursuant to this Agreement without any prior notice to or further authorization from Citadel. The procedure for making payment set forth in this Section 4.4 is for the convenience of the parties and to assist the Bank in complying with certain laws and regulations. Anything herein to the contrary notwithstanding, Citadel's obligation to make payments to the Bank under this Agreement is absolute, and such amounts shall be payable by Citadel to the Bank on demand in the event that, for any reason, the funds available to the Bank in the Account are insufficient to satisfy such obligation in full. Upon demand of the Bank, Citadel shall prepay or advance to the Bank such funds as the Bank deems necessary to cover projected payments for up to one month's estimated payments to the Bank, if the Bank determines that this is necessary or desirable to facilitate the Bank's compliance with all laws and regulations applicable to it.

ARTICLE V. -- MISCELLANEOUS

SECTION 5.1 NOTICES. Any written notice required or permitted to be given  
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to the parties hereunder shall be addressed as follows:

If to the Bank: Fidelity Federal Bank, FSB  
600 North Brand Boulevard  
P.O. Box 1631  
Glendale, California 91203  
Attention: President

If to Citadel:       Citadel Holding Corporation  
                      600 North Brand Boulevard  
                      P.O. Box 1631  
                      Glendale, California 91203  
                      Attention: President

All written notices shall be delivered in person or shall be sent by registered or certified mail, return receipt requested, and shall be deemed effective, seventy-two (72) hours after the same is mailed as provided above with postage prepaid. Notice sent by any other method shall be effective only upon actual receipt. The parties to this Agreement, by notice in writing, may designate another to whom notices shall be given pursuant to this Agreement.

SECTION 5.2 INDEPENDENT CONTRACTOR STATUS OF THE BANK. The relationship

of the Bank and Citadel under this Agreement is that of independent contractors. Nothing herein contained shall be construed as constituting a partnership, joint venture or agency between the parties hereto.

SECTION 5.3 INCORPORATED PROVISIONS. All provisions of statutes and

regulations applicable to the Bank and Citadel and this Agreement (including the agreement to pay examination costs set forth in Section 545.74(b)(4) of the regulations of the Office of Thrift Supervision) are hereby incorporated herein as if set forth in full verbatim.

SECTION 5.4 ASSIGNMENT; SUBCONTRACTING. This Agreement shall not be

assignable in whole or in part by the Bank or Citadel without the other party's prior written consent, and any attempted assignment without such consent shall be null and void.

SECTION 5.5 AUTHORITY. Each party to this Agreement hereby represents and

warrants to the other that it has the full right, power and authority to enter into and perform this Agreement in accordance with all the terms, provisions, covenants and conditions hereof and that the execution and delivery of this Agreement have been duly authorized by proper corporate action.

SECTION 5.6 WAIVER. No term or provision hereof will be deemed waived,

and no variation of terms or provisions hereof shall be deemed consented to, unless such waiver or consent shall be in writing and signed by the party against whom such waiver or consent is sought to be enforced. Any delay, waiver or omission by the Bank or Citadel to exercise any right or power arising from any breach or default of the other party in any of the terms, provisions or covenants of this Agreement shall not be construed to be a waiver by the Bank or Citadel of any subsequent breach or default of the same or other terms, provisions or covenants on the part of the other party.

SECTION 5.7 SUCCESSORS. Subject to the restrictions on assignment

contained herein, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.



SECTION 5.8 COMPLIANCE WITH LAWS AND REGULATIONS. Each party agrees that

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it will obtain all licenses and other governmental authorizations and approvals required for the performance of its obligations under this Agreement and will perform its obligations hereunder in accordance with all applicable federal, state and local laws, rules and regulations now or hereafter in effect.

SECTION 5.9 GOVERNING LAW. This Agreement shall be governed by and

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construed in accordance with the laws of the State of California, except where federal law is applicable.

SECTION 5.10 HEADINGS NOT CONTROLLING. Headings used in this Agreement

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are for reference purposes only and shall not be deemed a part of this Agreement.

SECTION 5.11 ENTIRE AGREEMENT. This Agreement constitutes the only

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agreement between the parties hereto relating to the subject matter hereof, except where expressly noted herein, and all prior negotiations, agreements and understandings, whether oral or written, are superseded or canceled hereby.

SECTION 5.12 ARMS LENGTH AGREEMENT. The parties hereto acknowledge that

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the terms of this Agreement are substantially the same as, or at least as favorable to the Bank as those prevailing as of the effective date hereof for comparable transactions with or involving other non-affiliated companies and, in the absence of comparable transactions, on terms at least as favorable as in good faith would be offered to non-affiliated companies.

SECTION 5.13 MODIFICATION. This Agreement may not be amended or modified

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except in a written document signed by both parties.

SECTION 5.14 SEVERABILITY. If any provision of this Agreement is

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declared or found to be illegal, unenforceable or void, this Agreement shall be construed as if not containing that provision, the rest of the Agreement shall remain in full force and effect, and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

SECTION 5.15 FORCE MAJEURE. Neither party shall be liable for a delay in

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performance or failure to perform any obligation under this Agreement to the extent such delay is due to causes beyond the control of that party and is without its fault or negligence, including, but not limited to, acts of God, labor disputes, governmental regulations or orders, civil disturbance, war conditions, fires, or due to a failure by the other party to satisfy its obligations under this Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be signed and delivered by its duly authorized officer.

FIDELITY FEDERAL BANK, FSB

CITADEL HOLDING CORPORATION

By: /s/ Richard M. Greenwood

By: /s/ Steve Wesson

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Name: Richard M. Greenwood  
Title: President and CEO

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Name: Steve Wesson  
Title: President and CEO

FIDELITY FEDERAL BANK, A FEDERAL SAVINGS BANK

Up to 22,000,000 Shares

Class A Common Stock and Class C Common Stock

Placement Agency Agreement

July 12, 1994

J.P. Morgan Securities Inc.  
60 Wall Street  
New York, New York 10260

Dear Sirs:

Fidelity Federal Bank, A Federal Savings Bank (the "Bank"), proposes to issue and sell a minimum of 20,952,381 shares and a maximum of 22,000,000 shares of its Class A Common Stock, par value \$0.01 per share ("Class A Common Stock"), and Class C Common Stock, par value \$0.01 per share ("Class C Common Stock"; the Class A Common Stock and Class C Common Stock offered hereby being referred to collectively as the "Offered Shares"), to certain investors (the "Offering") in accordance with the terms and subject to the conditions hereof and of certain stock purchase agreements to be entered into by each of such investors (the "Investor Purchase Agreements"). Prior to allocating more than the minimum of 20,952,381 shares, which allocation will be at J.P. Morgan's sole discretion, J.P. Morgan will consult with the Pricing Committees of the Board of Directors of the Bank and Citadel Holding Corporation ("Citadel"). The shares of common stock of the Bank to be outstanding after giving effect to the sale of the Offered Shares are herein referred to as "Common Stock."

In anticipation of the Offering, Citadel and the Bank have entered into a master letter agreement dated as of October 29, 1993, as amended (the "Master Engagement Letter") with J.P. Morgan Securities Inc. ("J.P. Morgan") and certain other letter agreements dated May 2, 1994 and dated as of June 15, 1994 with J.P. Morgan (together with the Master Engagement Letter, the "Engagement Letters"), pursuant to which J.P. Morgan has agreed to provide certain services to Citadel and the Bank in consideration of the fees provided for therein. Citadel and the Bank wish to enter into this Agreement with J.P. Morgan in J.P. Morgan's capacity as the placement agent of the Bank in soliciting offers to purchase the Offered Shares on the terms and subject to the conditions set forth herein. Except as

expressly modified or supplemented hereby, the terms of the Engagement Letters shall remain in full force and effect.

The Bank has prepared and filed with the Office of Thrift Supervision (the "OTS") an offering circular on Form OC (OTS Docket No. 5770) for the registration of the Offered Shares and the shares of Class A Common Stock issuable upon conversion of the Class C Common Stock under the rules and regulations of the OTS included in 12 C.F.R. Part 563b and Part 563g and all related applicable regulations (collectively, the "OTS Regulations") and has prepared and filed such amendments thereto and such amended offering circulars on Form OC as may have been required prior to the date hereof, and will file such additional amendments thereto and such amended offering circulars as may hereafter be required pursuant to the OTS Regulations. Any such additional amendments or amended offering circulars shall be filed in a form reasonably satisfactory to J.P. Morgan and J.P. Morgan's counsel. The Form OC, as amended at the time it becomes effective (including any documents filed as exhibits thereto) is hereinafter called the "Form OC," and the offering circular included therein on file with the OTS at the time the Form OC is declared effective is hereinafter called the "Offering Circular," except that, if the Bank files a post-effective amendment to such Form OC which becomes effective prior to the Closing Date (as defined below), "Offering Circular" shall refer to such offering circular as so amended, and except that, if any revised offering circular shall be provided to J.P. Morgan by the Bank for use in connection with the Offering of the Offered Shares which differs from the Offering Circular on file at the OTS at the time the Offering Circular becomes effective (whether or not such revised Offering Circular is required to be filed with the OTS pursuant to the OTS Regulations), "Offering Circular" shall refer to such revised offering circular from and after the time it is first provided to J.P. Morgan for such use.

The Bank hereby agrees with J.P. Morgan as follows:

1. The Bank agrees to issue and sell the Offered Shares upon the basis of the representations and warranties contained herein and in the Investor Purchase Agreements but subject to the conditions stated herein and in the Investor Purchase Agreements at a purchase price of \$5.25 per share.

2. The Bank understands that J.P. Morgan intends (i) to offer the Offered Shares to investors as soon after the Form OC and this Agreement have become effective as in the judgment of J.P. Morgan is advisable and (ii) to offer the Offered Shares upon the terms set forth in the Offering Circular and the Investor Purchase Agreement. The Offering

shall commence on the date hereof and shall expire at 5:30 pm, New York time, on July 28, 1994. Thereafter, the Offering cannot be extended without the written consent of each investor who has previously delivered an executed Investor Purchase Agreement. Each prospective investor who wishes to purchase Offered Shares shall be required to deliver to J.P. Morgan a completed Investor Purchase Agreement in the form accompanying the Offering Circular which will be submitted to J.P. Morgan. J.P. Morgan and the Bank shall each have the absolute right prior to the time that an Investor Purchase Agreement becomes a binding obligation between the purchaser and the Bank to reject any offer by a prospective investor for any reason, and any such rejection shall not be deemed a breach of any obligations of either J.P. Morgan or the Bank hereunder.

3. Payment for the Offered Shares shall be made by the several investors upon the instructions of Fidelity by 12:00 p.m. noon (EDT) on the business day prior to the Closing Date to First Trust, N.A., acting as Escrow Agent (the "Escrow Agent") pursuant to the Escrow Agreement dated as of July 12, 1994 among the Escrow Agent, Fidelity, Citadel and J.P. Morgan (the "Escrow Agreement"). Each prospective investor is to make payment in an amount necessary to purchase the Offered Shares such investor has agreed to purchase pursuant to such investor's Investor Purchase Agreement. The Closing shall be held at the offices of Gibson, Dunn & Crutcher, 333 South Grand Avenue, Los Angeles, California 90071 at 10:00 A.M., Los Angeles time on such date not later than August 4, 1994 as the Bank, Citadel and J.P. Morgan shall agree, which date shall be promptly notified to the Escrow Agent (the "Closing Date"). The Closing Date, once established, may be extended upon notice to the Escrow Agent by agreement among Fidelity, Citadel and J.P. Morgan to a date not later than August 4, 1994 by notice to the subscribers no later than 10 A.M. (EDT) on the day prior to the Closing as then scheduled and in accordance with the Investor Purchase Agreement. The Closing Date cannot be extended without the written consent of each investor who has previously delivered an executed Investor Purchase Agreement. As used herein, the term "Business Day" means any day other than a day on which banks are permitted or required to be closed in New York City.

Payment for the Offered Shares shall be made on the Closing Date by the Escrow Agent upon the direction of Fidelity and J.P. Morgan in accordance with the terms of the Escrow Agreement by wire transfer of immediately available funds to an account specified by Fidelity against delivery to J.P. Morgan for the account of the investors of the Offered Shares registered in such names and in such denominations as J.P. Morgan on behalf of the investors shall request in writing not later than two full Business

Days prior to the Closing Date with any transfer taxes payable in connection with the transfer to investors of the Offered Shares duly paid by the Bank. The certificates for the Offered Shares will be made available for inspection and packaging by J.P. Morgan at the office of J.P. Morgan Securities Inc. at 444 South Flower, Los Angeles, California not later than 3:00 P.M., Los Angeles time, on the Business Day prior to the Closing Date.

4. The Bank represents and warrants to J.P. Morgan that:

(a) no order preventing or suspending the use of any preliminary offering circular has been issued by the OTS, and each preliminary offering circular filed as part of the Form OC as originally filed or as part of any amendment thereto or filed pursuant to OTS Regulations complied when so filed in all material respects with the OTS Regulations, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information relating to J.P. Morgan furnished to the Bank in writing by J.P. Morgan expressly for use therein;

(b) no stop order suspending the effectiveness of the Form OC has been issued and no proceeding for that purpose has been instituted or, to the knowledge of the Bank, threatened by the OTS; and the Form OC and Offering Circular (as amended or supplemented if the Bank shall have furnished any amendments or supplements thereto) comply, or will comply, as the case may be, in all material respects with OTS Regulations and do not and will not, as of the applicable effective date as to the Form OC and any amendment thereto and as of the date of the Offering Circular and any amendment or supplement thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and the Offering Circular, as amended or supplemented at the Closing Date, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing representations and warranties shall not apply to statements or omissions in the Form OC or the Offering

Circular made in reliance upon and in conformity with information relating to J.P. Morgan furnished to the Bank in writing by J.P. Morgan expressly for use therein;

(c) the historical financial statements, and the related notes thereto, included in the Form OC and the Offering Circular (1) comply in all material respects as to form with the applicable accounting requirements of the Securities Act of 1933, as amended and the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder (collectively, the "Securities Act") and the OTS Regulations (or, to the extent such financial statements do not so comply, the OTS has granted a waiver with respect thereto) and (2) present fairly the consolidated financial position of the Bank and its consolidated subsidiaries as of the dates indicated and the results of their operations and consolidated cash flows for the periods specified in conformity with generally accepted accounting principles applied on a consistent basis, and the supporting schedules included in the Form OC present fairly the information required to be stated therein; and the pro forma financial information, as well as the related notes thereto, included in the Form OC and the Offering Circular, has been prepared in accordance with the applicable requirements of the Securities Act (or to the extent such financial statements do not so comply, the OTS has granted a waiver with respect thereto) and is based upon good faith estimates and assumptions believed by the Bank to be reasonable;

(d) since the respective dates as of which information is given in the Form OC and the Offering Circular, (1) there has not been any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries, taken as a whole, (2) except as set forth or contemplated in the Offering Circular neither the Bank nor any of its subsidiaries has entered into any transaction or agreement (whether or not in the ordinary course of business) material to the Bank and its subsidiaries taken as a whole, (3) neither the Bank nor any of its subsidiaries has issued or purported to issue any securities or incurred any material liability or obligation, direct or contingent, for borrowed money, except in the ordinary course of its banking business, (4) except as described or contemplated in the Offering Circular, the Bank has not entered into or modified any material agreement with the OTS or any regulatory or supervisory agency or body

which would materially adversely affect the ability of the Bank and its subsidiaries to continue to conduct their respective businesses as now currently conducted, and (5) except as contemplated by the Offering Circular, the Bank has not declared or paid any dividend;

(e) the Bank has been duly incorporated and is validly existing as a federally-chartered stock savings bank in good standing under the laws of the United States, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Circular and to perform its obligations under this Agreement, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Bank and its subsidiaries taken as a whole;

(f) each of the Bank's subsidiaries has been duly incorporated and is validly existing as a corporation under the laws of its jurisdiction of incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Circular, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Bank and its subsidiaries taken as a whole; and all the outstanding shares of capital stock of each subsidiary of the Bank have been duly authorized and validly issued, are fully-paid and non-assessable, and are owned by the Bank, directly or indirectly, free and clear of all liens, encumbrances, security interests and claims;

(g) this Agreement has been duly authorized, executed and delivered by the Bank;

(h) the Amended and Restated Charter S of the Bank (the "Amended Charter") has been duly adopted by the Board of Directors of the Bank and Citadel as sole stockholder of the Bank and on or prior to the Closing Date will have been duly filed with the OTS;

(i) the outstanding share of capital stock of the Bank has been duly authorized and validly issued, is fully-paid and non-assessable and is not subject to any pre-emptive or similar rights; upon the filing of the Amended Charter with the OTS, the authorized capital stock of the Bank will conform as to legal matters to the description thereof set forth in the Form OC and Offering Circular and, except as described in or expressly contemplated by the Offering Circular, there are no outstanding rights (including, without limitation, preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Bank or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Bank or any such subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options;

(j) upon filing of the Amended Charter with the OTS the Offered Shares to be issued and sold by the Bank pursuant to this Agreement will be duly authorized, and, when delivered and paid for in accordance with the terms of this Agreement and the Investor Purchase Agreements, will have been duly issued and will be fully paid and non-assessable and will conform to the descriptions thereof in the Offering Circular; and the issuance of the Offered Shares is not subject to any preemptive or similar right; upon filing of the Amended Charter with the OTS, the Class B Common Stock, par value \$.01 per share (the "Class B Common Stock") will be duly authorized; upon such filing there will be outstanding 6,595,624 shares of Class B Common Stock, subject to reduction as described in the Offering Circular and the Investor Purchase Agreements; and all of such outstanding shares of Class B Common Stock will have been duly issued and will be fully paid and non-assessable and will conform to the descriptions thereof in the Offering Circular;

(k) upon the filing of the Amended Charter with the OTS, the Class A Common Stock issuable upon conversion of the Class C Common Stock will be duly authorized and reserved for issuance upon such conversion and when such Class A Common Stock is issued upon conversion in accordance with the Amended Charter such Class A Common Stock will be duly issued and fully paid and non-assessable and the issuance of such Class A Common Stock is not subject to any preemptive or similar rights;



(l) the reclassification of the Bank's existing Common Stock into Class B Common Stock in accordance with the Amended Charter and the delivery to Citadel of certificates evidencing the Class B Common Stock is exempt from the registration requirements of the OTS Regulations;

(m) each of the various transactions forming a part of the Restructuring and Recapitalization (in each case as defined in the Form OC) and all agreements relating thereto to which the Bank is a party ("Restructuring Agreements") have been duly authorized by all necessary action on the part of the Bank and Citadel as its sole stockholder and when any such agreements are duly executed by the Bank, such agreements will be valid and binding obligations of the Bank;

(n) the performance by the Bank of the Restructuring and the Restructuring Agreements and the consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Bank or any of its subsidiaries is a party or by which the Bank or any of its subsidiaries is bound or to which any of the property or assets of the Bank or any of its subsidiaries is subject, nor will any such action result in any violation of the provisions of the existing Charter or By-Laws of the Bank or, upon filing with the OTS, the Amended Charter and Amended By-Laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank, its subsidiaries or any of their respective properties; and all consents, approvals, authorizations, orders, registrations or qualifications of or with any such court or governmental agency or body of the United States or any State thereof required for the performance by the Bank of the Restructuring and the Restructuring Agreements and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect;

(o) neither the Bank nor any of its subsidiaries is, or with the giving of notice or lapse of time or both would be, in violation of or in default under, (1) its Charter, certificate of incorporation or By-Laws or, in the case of the Bank as of the Closing Date, its Amended Charter or Amended By-Laws, or (2) any material indenture, mortgage, deed of trust, loan agreement or

other material agreement or instrument to which the Bank or any of its subsidiaries is a party or by which it or any of them or any of their respective properties is bound, except for violations and defaults which individually and in the aggregate are not material to the Bank and its subsidiaries taken as a whole; the issue and sale of the Offered Shares, the reclassification of the Bank's existing common stock into Class B Common Stock in accordance with the Amended Charter, the performance by the Bank of its obligations under this Agreement and the consummation of the transactions contemplated herein will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Bank or any of its subsidiaries is a party or by which the Bank or any of its subsidiaries is bound or to which any of the property or assets of the Bank or any of its subsidiaries is subject, nor will any such action result in any violation of the provisions of the existing Charter and By-Laws of the Bank or, upon filing with the OTS, the Amended Charter or the Amended By-Laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank, its subsidiaries or any of their respective properties; and all consents, approvals, authorizations, orders, registrations or qualifications of or with any such court or governmental agency or body of the United States or any State thereof required for the issue and sale of the Offered Shares, the reclassification of the Bank's existing common stock into Class B Common Stock in accordance with the Amended Charter, and the consummation by the Bank of the transactions contemplated by this Agreement have been obtained and are in full force and effect, except such consents, approvals, authorizations, registrations or qualifications as have been obtained under the Regulations and as may be required under state securities or Blue Sky Laws in connection with the distribution of the Offered Shares;

The parties hereto understand that opinions of Delaware law regarding any authorizations of the Restructuring and Recapitalization required from the stockholders of Citadel will be provided by Morris, Nichols, Arsht & Tunnel, which opinions will be rendered to J.P. Morgan at the request of the Bank and Citadel and shall so state therein.

(p) the Bank and its subsidiaries have conducted and are conducting their businesses so as to comply

with all applicable statutes and regulations where the failure to so comply would have a material adverse effect on the Bank and its subsidiaries considered as one enterprise (including, without limitation, all regulations, decisions, directives and orders of the OTS and any other applicable bank or savings and loan regulatory agency), and neither the Bank nor its subsidiaries is in violation of any written directive from the OTS or any other bank or savings and loan regulatory agency to make any material change in the method of conducting its business except to the extent that any such violation would not have a material adverse effect on the Bank and its subsidiaries taken as a whole;

(q) other than as set forth or contemplated in the Offering Circular, there are no legal or governmental proceedings pending or, to the knowledge of the Bank, threatened to which the Bank or any of its subsidiaries is or may be a party or to which any property of the Bank or any of its subsidiaries is or may be the subject which, if determined adversely to the Bank, would individually or in the aggregate reasonably be expected to have a material adverse effect on the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries, taken as a whole, and, to the best of the Bank's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and there are no contracts or other documents of a character required to be filed as an exhibit to the Offering Circular or required to be described in the Offering Circular which are not filed or described as required;

(r) the Bank and its subsidiaries have good and marketable title in fee simple to all items of real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described or referred to in the Offering Circular or such as do not materially adversely affect the Bank and its subsidiaries taken as a whole; and any real property and buildings held under lease by the Bank and its subsidiaries are held by them under valid, existing and enforceable leases with such exceptions as are not material to the Bank and its subsidiaries taken as a whole;

(s) no relationship, direct or indirect, exists between or among the Bank or any of its subsidiaries on the one hand, and the directors, officers,

stockholders, customers or suppliers of the Bank or any of its subsidiaries on the other hand, which is required by the Securities Act or the OTS Regulations to be described in the Offering Circular which is not so described;

(t) other than as set forth or contemplated in the Offering Circular, no person has the right to require the Bank to register any securities for offering and sale under the Securities Act or the OTS Regulations by reason of the filing of the Offering Circular with the OTS or the issue and sale of the Offered Shares;

(U) the Bank and its subsidiaries (i) are in compliance with any and all applicable federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Bank and its subsidiaries, taken as a whole; the costs and liabilities (including, without limitation, any capital or operating expenditures required for cleanup or closure of properties and any potential liabilities for third parties) associated with compliance with Environmental Laws would not, individually or in the aggregate, have a material adverse effect on the Bank and its subsidiaries, taken as a whole;

(v) the accountants who certified the financial statements and supporting schedules of the Bank included in the Form OC are independent public accountants as required by Parts 563 and 571 of the OTS Regulations contained in Chapter V of Title 12 of the Code of Federal Regulations and within the meaning of the Securities Act and the rules and regulations thereunder;

(w) the Bank is a member in good standing of the Federal Home Loan Bank System, whose deposit accounts are insured up to applicable limits by the Savings Association Insurance Fund of the FDIC, and no

proceedings for the termination or revocation of such insurance are pending or, to the knowledge of the Bank, threatened;

(x) the Bank and its subsidiaries possess such licenses, permits and other governmental authorizations and have made all declarations and filings with all governmental authorities (including the OTS) and self-regulatory organizations as are currently required for the conduct of their respective businesses (except in such cases where the failure to possess any such license, permit or authorization or the failure to make such declaration or filing would not have a material adverse effect on the Bank and its subsidiaries taken as a whole); all such licenses, permits and other governmental authorizations and all such declarations and filings are in full force and effect, and the Bank and its subsidiaries are in compliance therewith (except in such cases where noncompliance would not have a material adverse effect on the Bank and its subsidiaries taken as a whole) and neither the Bank nor its subsidiaries has received notice of any proceeding or action relating to the revocation or modification of any such license, permit or other governmental authorization or any such declaration or filing;

(y) the forms of certificate being used to evidence the Offered Shares and the Class B Common Stock are each in due and proper form; and

(z) the Bank has complied with all provisions of Section 517.075, Florida Statutes (Chapter 92-198 Laws of Florida).

(aa) at or for the year ended December 31, 1993, none of the Bank's subsidiaries (other than, at the time of Closing, Gateway) has assets or net income that amount to more than 3% of the consolidated assets or consolidated net income (loss) of the Bank, and the aggregate assets and net income of the subsidiaries of the Bank do not exceed 5% of the consolidated assets or net income of the Bank, respectively.

5. Citadel represents and warrants to J.P. Morgan that:

(a) no transaction has been entered into, and no arrangement or other relationship, direct or indirect, exists between or among the Bank or any of its subsidiaries on the one hand, and the directors, officers, stockholders, customers or suppliers of the Bank or any of its subsidiaries on the other hand, which is required by the Securities Act or the OTS

Regulations to be described in the Offering Circular which is not so described;

(b) Citadel has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as currently being conducted, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole; and Citadel is duly registered as a savings and loan holding company pursuant to 12 U.S.C. (S)1468a;

(c) Gateway Investment Services, Inc. ("Gateway") has been duly incorporated and is validly existing as a corporation under the laws of the State of California, with power and authority (corporate and other) to own its properties and conduct its business as currently being conducted, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on Gateway and its subsidiaries, taken as a whole; and all the outstanding shares of capital stock of Gateway ("Gateway Stock") have been duly authorized and validly issued, are fully-paid and non-assessable, and as of the date hereof are owned by Citadel, directly or indirectly, free and clear of all liens, encumbrances, security interests and claims; upon the sale of the Gateway Stock to the Bank as described in the Offering Circular, the Bank will acquire the Gateway Stock free and clear of all liens, encumbrances, security interests and claims;

(d) this Agreement has been duly authorized, executed and delivered by Citadel;

(e) neither Citadel nor Gateway is, or with the giving of notice or lapse of time or both would be, in violation of or in default under, its Certificate of Incorporation or By-Laws or any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which Citadel or Gateway is a party or by which it or any of them or any

of their respective properties is bound, except for violations and defaults which individually and in the aggregate are not material to Citadel and its subsidiaries taken as a whole;

(f) each of the various transactions forming a part of the Restructuring and the Recapitalization and all agreements relating thereto to which Citadel is a party ("Citadel Restructuring Agreements") have been duly authorized by all necessary action on the part of Citadel and its stockholders and when any such agreements are duly executed by Citadel such agreements will be valid and binding obligations of Citadel;

(g) the performance by Citadel of the Restructuring and the Recapitalization and the Citadel Restructuring Agreements and the consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which Citadel is a party or by which Citadel is bound or to which any of the property or assets of Citadel is subject, nor will any such action result in any violation of the provisions of the Certificate of Incorporation or the By-Laws of Citadel or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Citadel, its subsidiaries or any of their respective properties; and all consents, approvals, authorizations, orders, registrations or qualifications of or with any such court or governmental agency or body of the United States or any State thereof required for the performance by Citadel of the Restructuring, the Recapitalization and the Citadel Restructuring Agreements and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect;

(h) there are no legal or governmental proceedings pending or, to the knowledge of Citadel, threatened to which Citadel or Gateway is or may be a party which if adversely determined could individually or in the aggregate reasonably be expected to have upon consummation of the Restructuring and the Recapitalization a material adverse effect on the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries taken as a whole, and to the best of Citadel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and

(i) Gateway has conducted and is conducting its business so as to comply with all applicable statutes and regulations where the failure to so comply would have a material adverse effect on the Bank and Gateway taken as a whole; Gateway possesses such licenses, permits and other governmental authorizations and has made all declarations and filings with all governmental authorities and self regulatory organizations as are currently required for the conduct of its businesses (except in such cases where the failure to possess any such license, permit or authorization or the failure to make such declaration or filing would not have a material adverse effect on the Bank and Gateway taken as a whole), all such licenses, permits and other governmental authorizations and all such declarations and filings are in full force and effect, and Gateway is in compliance therewith in all material respects; and neither Citadel nor Gateway has received notice of any proceeding or action relating to the revocation or modification of any such license, permit or other governmental authorization or any such declaration or filing.

6. The Bank hereby reaffirms the appointment of J.P. Morgan as sales agent (the "Placement Agent") for the Offered Shares and grants to J.P. Morgan the exclusive right to solicit offers to purchase the Offered Shares pursuant to the terms of this Agreement. On the basis of the representations and warranties of the Bank and Citadel contained herein, and subject to the terms and conditions set forth herein, J.P. Morgan hereby accepts such appointment and agrees to use J.P. Morgan's best efforts to solicit offers to purchase from the Bank all of the Offered Shares pursuant to the terms of this Agreement.

As compensation for your services in acting as Placement Agent hereunder, you shall receive an aggregate placement agency fee of 4% of the aggregate purchase price for all of the Offered Shares sold to investors. Such fee, together with the 1% fee payable pursuant to clause (c)(ii)(B) under the caption "Fees" in the Master Engagement Letter (net of a credit (i) for prior retainer payments of \$250,000 and (ii) up to \$250,000 of fees and expenses actually paid to Bear Stearns & Co. Inc. in connection with the delivery of the financial advisory opinion referred to in Section 9(u) hereof), shall be payable by the Bank on the Closing Date to J.P. Morgan by instructing the Escrow Agent to make a wire transfer of immediately available funds in accordance with the terms of the Escrow Agreement to an account specified by J.P. Morgan. The foregoing fees shall be in addition to all other fees and other amounts payable to J.P. Morgan by the Bank or Citadel pursuant to the Engagement Letters and this Agreement and payment of the



foregoing fees shall in no way limit or modify J.P. Morgan's rights under such Engagement Letters.

7. The Bank covenants and agrees with J.P. Morgan as follows:

(a) to use its best efforts to cause the Form OC to become effective at the earliest possible time.

(b) to deliver, at the expense of the Bank, to J.P. Morgan, two signed copies of the Form OC (as originally filed) and each amendment thereto, in each case including exhibits and, during the period mentioned in paragraph (e) below, to J.P. Morgan as many copies of the Offering Circular (including all amendments and supplements thereto) as J.P. Morgan may reasonably request;

(c) before filing any amendment or supplement to the Form OC or the Offering Circular, whether before or after the time the Offering Circular becomes effective, to furnish to J.P. Morgan a copy of the proposed amendment or supplement for review and not to file any such proposed amendment or supplement to which J.P. Morgan reasonably objects;

(d) to advise J.P. Morgan promptly, and to confirm such advice in writing, (i) when the Form OC shall become effective, (ii) when any amendment to the Form OC shall have become effective, (iii) of any request by the OTS for any amendment to the Form OC or any amendment or supplement to the Offering Circular or for any additional information, (iv) of the issuance by the OTS of any stop order suspending the effectiveness of the Form OC or the initiation or threatening of any proceeding for that purpose, and (v) of the receipt by the Bank of any notification with respect to any suspension of the qualification of the Offered Shares for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and to use its best efforts to prevent the issuance of any such stop order or notification and, if issued, to use its best efforts to obtain as soon as possible the withdrawal thereof;

(e) during the time when an Offering circular is required to be delivered under the OTS Regulations, to comply at the Bank's own expense with all requirements imposed upon it by the OTS and with the OTS Regulations and all other applicable laws, as now in effect and as hereafter amended, as from time to time in force, so far as necessary to permit the continuance of sales of

or dealings in the Offered Shares in accordance with the provisions hereof and the Offering Circular.

(f) if, during such period of time after the first date of the public offering of the Offered Shares as in the opinion of counsel for J.P. Morgan an Offering Circular relating to the Offered Shares is required by law to be delivered, any event shall occur as a result of which it is necessary to amend or supplement the Offering Circular in order to make the statements therein, in the light of the circumstances when the Offering Circular is delivered, not misleading, or if it is necessary to amend or supplement the Offering Circular to comply with the Regulations, forthwith to prepare and furnish, at the expense of the Bank, to J.P. Morgan and to other dealers upon request, such amendments or supplements to the Offering Circular as may be necessary so that the statements in the Offering Circular as so amended or supplemented will not, in the light of the circumstances when the Offering Circular is delivered, be misleading or so that the Offering Circular will comply with law;

(g) to endeavor to qualify the Offered Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as J.P. Morgan shall reasonably request and to continue such qualification in effect so long as reasonably required for distribution of the Offered Shares and to pay all fees and expenses (including fees and disbursements of your counsel) reasonably incurred in connection with such qualification; provided that

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the Bank shall not be required to file a general consent to service of process in any jurisdiction;

(h) to make generally available to its security holders and to J.P. Morgan as soon as practicable an earnings statement covering a period of at least twelve months beginning with the first fiscal quarter of the Bank occurring after the effective date of the Form OC, which shall satisfy the provisions of Rule 158 of the SEC under the Securities Act;

(i) for a period of five years following the Closing Date, to furnish to J.P. Morgan copies of all reports or other communications (financial or other) furnished to holders of Offered Shares, and copies of any reports and financial statements furnished to or filed with the OTS;

(j) for a period of 180 days after the date hereof not to offer, sell, contract to sell or

otherwise dispose of any shares of Common Stock of the Bank or any securities convertible into or exercisable or exchangeable for shares of Common Stock of the Bank without the prior written consent of J.P. Morgan (such Consent not to be unreasonably withheld in the case of an offering of Common Stock being made at the request of the OTS), other than the Offered Shares, the shares of Class B Common Stock issuable upon filing with the OTS of the Amended Charter, shares of Class A Common Stock issuable upon conversion of Class B Common Stock and Class C Common Stock in accordance with the provisions of the Amended Charter, the grant of options to purchase Class A Common Stock granted or to be granted to employees of the Bank pursuant to employee stock option plans and any shares of Class A Common Stock of the Bank issued under employee stock plans of the Bank.

(k) to pay all costs and expenses incident to the performance of its and Citadel's obligations hereunder, including without limiting the generality of the foregoing, all costs and expenses (i) incident to the preparation, issuance, execution and delivery of the Offered Shares, (ii) incident to the preparation, printing and filing of the Form OC, the Offering Circular and any preliminary Offering Circular (including in each case all exhibits, amendments and supplements thereto), (iii) incurred in connection with the registration or qualification of the Offered Shares under the laws of such jurisdictions as J.P. Morgan may designate (including fees of counsel for J.P. Morgan and its disbursements), (iv) related to the filing with, and clearance of the offering by, the National Association of Securities Dealers, Inc. and (v) in connection with the printing (including word processing and duplication costs) and delivery of this Agreement, the preliminary and supplemental Blue Sky Memorandum and the furnishing to J.P. Morgan of copies of the Form OC and the Offering Circular, including mailing and shipping, as herein provided;

(l) to file securities sale reports pursuant to, and at the time or times and in the form and manner required by, the OTS Regulations; and

(m) at any time until five years from the date hereof that the Bank is not subject to the information and reporting requirements of 12 U.S.C. (S) 563g.18 (or any successor provision), to furnish such holder of Common Stock within 120 days following the end of each fiscal year of the Bank with an annual report of the Bank containing audited consolidated financial statements and notes thereto, together with an opinion

thereon expressed by an independent public accounting firm of recognized standing and to furnish each holder of Common Stock within 60 days following the end of the first three fiscal quarters in each fiscal year of the Bank with quarterly reports of the Bank containing unaudited consolidated financial statements together with, in each case, a "Management's Discussion and Analysis of Financial Condition and Results of Operations." The holders from time to time of the Common Stock shall be third party beneficiaries of the obligations of the Bank pursuant to this paragraph (m), will be entitled to enforce directly the requirements of this paragraph (m) and no amendment or waiver of this paragraph (m) will be effective without the prior written consent of the holders of a majority of shares of Class A Common Stock then outstanding.

8. During the period from the date hereof to the Closing Date except as otherwise expressly provided in this Agreement or described in the Offering Circular, Citadel and the Bank jointly and severally covenant and agree that:

(a) the Bank, its subsidiaries and Gateway shall (i) conduct their respective businesses in the usual, regular and ordinary course consistent with past practice and (ii) use their respective best efforts to maintain and preserve intact their respective business organizations, employees and material business relationships and retain the services of their respect officers and key employees;

(b) the Bank and Citadel shall not take any action and shall not fail to act if such action or failure to act would adversely affect or delay its or their ability or the ability of any investor to obtain all necessary consents, approvals, authorizations, licenses, waivers or orders of any governmental authority required for the transactions contemplated by this Agreement or required for the transactions contemplated by Restructuring and Recapitalization.

9. The Bank, Citadel and J.P. Morgan agree that the issuance of the Offered Shares and all of the obligations of J.P. Morgan hereunder are subject to the performance by the Bank and Citadel of their obligations hereunder and to the following additional conditions (the parties acknowledge that if any of conditions (a), (f), (m), (n), (t), (u) and (v) is not satisfied, then Citadel or Fidelity or J.P. Morgan may prevent the closing from being consummated by giving written notice thereof to each of the other parties):

(a) the Form OC shall have become effective (or if a post-effective amendment is required to be filed under the OTS Regulations, such post-effective amendment shall have become effective); and no stop order suspending the effectiveness of the Form OC shall be in effect, and no proceedings for such purpose shall be pending before or threatened by the OTS; and all requests for additional information shall have been complied with to the satisfaction of J. P. Morgan;

(b) the representations and warranties of the Bank and Citadel contained herein are true and correct on and as of the Closing Date as if made on and as of the Closing Date and the Bank and Citadel shall have complied with all agreements and all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date;

(c) subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any downgrading, nor shall any notice have been given of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Bank by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(d) since the respective dates as of which information is given in the Offering Circular, there shall not have been any material adverse change or any development involving a prospective material adverse change, in or affecting the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Offering Circular, the effect of which in the judgment of J.P. Morgan makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Offered Shares on the terms and in the manner contemplated in the Offering Circular;

(e) J.P. Morgan shall have received on and as of the Closing Date a certificate of an executive officer of the Bank with respect to the Bank and its subsidiaries and a certificate of an executive officer of Citadel with respect to Citadel, in each case satisfactory to J.P. Morgan, to the effect set forth in subsections (a) through (c) of this Section and to the further effect that there has not occurred any material adverse change, or any development involving a

prospective material adverse change, in or affecting the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries taken as a whole from that set forth or contemplated in the Form OC;

(f) J.P. Morgan shall have solicited binding offers for the purchase of at least 20,952,381 Offered Shares;

(g) the Bank shall have entered into two or more definitive purchase and sale agreements ("Bulk Sale Agreements") at or prior to the Closing Date pursuant to which the Bank will sell to third parties in two or more separate bulk sale transactions certain problem and other assets of the Bank with an aggregate net book value as of March 31, 1994 of approximately \$465 million, including substantially all of the Bank's NPAs (as defined in the Offering Circular) which agreements shall be in full force and effect on the Closing Date, shall be in form and substance satisfactory to J.P. Morgan and shall provide for the deposit of at least 10% of the purchase price for such transactions prior to the closing thereof, which deposits shall have been made and not withdrawn;

(h) the Bank and Citadel shall have entered into (1) a definitive purchase and sale agreement (the "Citadel Sale Agreement") at or prior to the Closing Date pursuant to which the Bank will sell to Citadel (the "Citadel Sale") four properties (the "Properties") having an aggregate net book value at March 31, 1994 of approximately \$24.5 million for a purchase price of approximately \$20.3 million and (2) agreements ("Financing Agreements") pursuant to which the Bank will provide financing for the Citadel Sale, such financing to be in accordance with the terms of such financing described in the Offering Circular; the Citadel Sale Agreement and the Financing Agreements shall be in form and substance satisfactory to J.P. Morgan; and on the Closing Date the Bank shall sell and Citadel shall purchase the Properties in accordance with the terms of the Citadel Sale Agreement and the Financing Agreements;

(i) the Bank shall have redeemed at or prior to the Closing Date in accordance with the terms of the Settlement Agreement (as defined in the Offering Circular) the \$60 million principal amount of its 11.68% subordinated notes outstanding pursuant to the Subordinated Loan Agreement dated as of May 15, 1990 between the Bank, Citadel and four lenders, including The Chase Manhattan Bank, N.A. ("Chase"); the

Settlement Agreement shall be in full force and effect on the Closing Date and shall be in form and substance satisfactory to J.P. Morgan and the Bank and Chase shall have taken all other actions required to be taken by them pursuant to the terms of the Settlement Agreement without any waiver, amendment or modification thereof not approved by J.P. Morgan;

(j) prior to the Closing Date, the Bank shall have declared a dividend to Citadel of the Office Buildings (as defined in the Offering Circular), and on the Closing Date, (1) the Bank will pay and distribute the dividend of such Office Buildings to Citadel and (2) the Bank and Citadel will execute and deliver leases by the Bank of portions of such Office Buildings, such leases to be on the terms and conditions set forth in the Offering Circular and to be satisfactory in form and substance to J.P. Morgan;

(k) immediately prior to the Closing Date, the Bank shall have transferred to Citadel its interest in the D&O Litigation (as defined in the Offering Circular);

(l) on or prior to the Closing Date, Citadel shall have sold to the Bank all the issued and outstanding capital stock of Gateway for a purchase price equal to the book value thereof;

(m) the Amended Charter and Amended By-Laws of the Bank shall have been approved by the OTS and the Amended Charter shall have been duly filed with the OTS;

(n) the OTS shall have approved (1) the reclassification of the Bank's currently outstanding common stock, par value \$0.01 per share, into 6,595,624 shares of Class B Common Stock, which number of shares may be subject to adjustment after the Closing Date as described in the Offering Circular; (2) each of the transactions described under paragraphs (h)-(m), inclusive, above and (3) all other matters and transactions required to consummate the Restructuring and Recapitalization; and J.P. Morgan shall have received evidence of such approval;

(o) Gibson, Dunn & Crutcher, counsel for the Bank and Citadel or, with respect to the opinions set forth in paragraphs (ii), (iii), (iv) and (vi) below, and, with respect to the matters expressed in paragraph (xx) below, Godfrey B. Evans, Executive Vice President, General Counsel and Corporate Secretary of the Bank, shall have furnished to J.P. Morgan their or his

written opinions, as applicable, dated the Closing Date, in form and substance satisfactory to J.P. Morgan, to the effect that:

(i) the Bank has been duly incorporated and is validly existing as a federally-chartered stock savings bank in good standing under the laws of the United States, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Circular;

(ii) The Bank has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would have a material adverse effect on the Bank and its subsidiaries taken as a whole;

(iii) the Amended Charter has been duly adopted by the Board of Directors of the Bank and Citadel as sole stockholder of the Bank and has been duly filed with the OTS;

(iv) other than as set forth or contemplated in the Offering Circular, there are no legal or governmental proceedings pending or, to the best of such counsel's knowledge, threatened to which the Bank or any of its subsidiaries is or may be a party or to which any property of the Bank or its subsidiaries is or may be the subject which, if determined adversely to the Bank or such subsidiaries, could individually or in the aggregate reasonably be expected to have a material adverse effect on the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries taken as a whole; to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and such counsel does not know of any contracts or other documents of a character required to be filed as an exhibit to the Form OC or required to be described in the Form OC or the Offering Circular which are not filed or described as required;

(v) Citadel has been duly incorporated and is validly existing as a corporation in good



standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as currently being conducted, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole; and Citadel is duly registered as a savings and loan holding company pursuant to 12 U.S.C.(S)1467a;

(vi) Gateway has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as currently being conducted, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Bank and its subsidiaries, taken as a whole; and all the outstanding shares of capital stock of Gateway ("Gateway Stock") have been duly authorized and validly issued, are fully-paid and non-assessable, and are owned by the Bank, directly or indirectly, free and clear of all liens, encumbrances, security interests and claims (provided that such counsel may assume that the Bank took delivery of such Gateway Stock, issued or endorsed to the Bank, in good faith and without notice of any adverse claim);

(vii) this Agreement has been duly authorized, executed and delivered by the Bank and Citadel;

(viii) the authorized capital stock of the Bank conforms as to legal matters to the description thereof contained in the Offering Circular; and, to the best of such counsel's knowledge except as described in or expressly contemplated by the Offering Circular, there are no outstanding rights (including, without limitation, preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for,

any shares of capital stock or other equity interest in the Bank or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Bank or any such subsidiary, and such convertible or exchangeable securities or any such rights, warrants or options;

(ix) the only outstanding shares of capital stock of the Bank are 6,595,624 shares of Class B Common Stock; and such shares of Class B Common Stock have been duly authorized and are validly issued, fully paid and non-assessable;

(x) the Offered Shares to be issued and sold by the Bank pursuant to this Agreement have been duly authorized, and when delivered and paid for in accordance with the terms of this Agreement and the Investor Purchase Agreements, will be validly issued, fully paid and non-assessable and the issuance of the Offered Shares is not subject to any preemptive or similar rights under the Amended Charter, the Amended By-Laws and the Restructuring Agreements;

(xi) the Class A Common Stock issuable upon conversion of the Class B Common Stock and Class C Common Stock has been duly authorized and reserved for issuance upon such conversion and when such Class A Common Stock is issued upon conversion in accordance with the Amended Charter such Class A Common Stock will be duly issued and fully paid and non-assessable and the issuance of such Class A Common Stock is not subject to any pre-emptive or similar rights;

(xii) the reclassification of the Bank's existing Common Stock into Class B Common Stock into Class B Common Stock in accordance with the Amended Charter and the delivery to Citadel of certificates evidencing the Class B Common Stock is exempt from the registration requirements of the OTS Regulations;

(xiii) the issue and sale of the Offered Shares, the reclassification of the Bank's existing common stock into Class B Common Stock in accordance with the Amended Charter, the performance by the Bank of its obligations under this Agreement and the consummation of the transactions contemplated herein will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any

indenture, mortgage, deed of trust, loan agreement or other agreement or instrument identified to such counsel by officers of the Bank as material in a schedule attached to such opinion and to which the Bank is a party or by which the Bank is bound or to which any of the property or assets of the Bank is subject, nor will any such action result in any violation of the provisions of the Amended Charter, or the Amended By-Laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body of the United States or the State of California having jurisdiction over the Bank or its properties;

(xiv) all consents, approvals, authorizations, orders, registrations or qualifications of or with any court or governmental agency or body of the United States or the State of California required for the issue and sale of the Offered Shares, the reclassification of the Bank's existing common stock into Class B Common Stock in accordance with the Amended Charter, or the consummation of the other transactions contemplated by this Agreement have been obtained and are in full force and effect, except such consents, approvals, non-objections to notices, authorizations, registrations or qualifications as have been obtained under the OTS Regulations and as may be required under state securities or Blue Sky Laws in connection with the purchase and distribution of the Offered Shares;

(xv) apart from this Agreement as to which an opinion is expressed in paragraph (vii) above, each of the various transactions forming a part of the Restructuring and the Recapitalization and all Restructuring Agreements have been duly authorized by all necessary action on the part of the Bank and Citadel as its sole stockholder and such agreements have been duly executed and delivered by the Bank and constitute valid and binding obligations of the Bank, enforceable in accordance with their terms except as their valid and binding nature or enforceability may be limited by (i) bankruptcy, reorganization, insolvency, liquidation or other laws affecting creditors' rights generally, (ii) equitable principles of general applicability and (iii) other customary exceptions (the parties acknowledge that this opinion may be delivered by counsel other than

Gibson Dunn & Crutcher provided such firm is entirely satisfactory to J.P. Morgan);

(xvi) the performance by the Bank of the Restructuring and the Restructuring Agreements and the consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument identified to such counsel by officers of the Bank as material in a schedule attached to such opinion and to which the Bank is a party or by which the Bank is bound or to which any of the property or assets of the Bank is subject, nor will any such action result in any violation of the provisions of the Amended Charter and Amended By-Laws of the Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body of the United States or the State of California having jurisdiction over the Bank or its properties; and all consents, approvals, non-objections to notices, authorizations, orders, registrations, or qualifications of or with any such court or governmental agency or body of the United States or the State of California required for the performance by the Bank of the Restructuring and the Restructuring Agreements and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect ;

(xviii) apart from this Agreement as to which an opinion is expressed in paragraph (vii) above, each of the various transactions forming a part of the Restructuring and the Recapitalization and all Citadel Restructuring Agreements have been duly authorized by all necessary action on the part of Citadel and its stockholders and such agreements have been duly executed and delivered by Citadel and constitute valid and binding obligations of Citadel, enforceable in accordance with their terms except as their valid and binding nature or enforceability may be limited by (i) bankruptcy, reorganization, insolvency, liquidation or other laws affecting creditors' rights generally, (ii) equitable principles of general applicability and (iii) other customary exceptions;

(xviii) the performance by Citadel of the Restructuring and the Recapitalization and the Citadel Restructuring Agreements and the

consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Citadel is a party or by which Citadel is bound or to which any of the property or assets of Citadel is subject and which has been identified as material to such counsel by officers of Citadel in a schedule attached to such opinion, nor will any such action result in any violation of the provisions of the Certificate of Incorporation or the By-Laws of Citadel or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body of the United States or the State of California having jurisdiction over Citadel, its subsidiaries or any of their respective properties; and all consents, approvals, authorizations, orders, registrations or qualifications of or with any such court or governmental agency or body of the United States or the State of California required for the performance by Citadel of the Restructuring, the Recapitalization and the Citadel Restructuring Agreements and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect;

(xix) the statements in the Offering Circular under the captions "Risk Factors - Certain Considerations Regarding the Restructuring and Recapitalization - Regulatory Limitations on Ownership; Anti-Takeover Provisions," "Restructuring and Recapitalization," "Business - Taxation," "Business - Regulation and Supervision," "Business - Regulation of Fidelity Affiliates and Dividends," "Business - Federal Reserve System," "Business - Gateway," "Management Employment Contracts and Change in Control Agreement," "Certain Transactions," "Certain Federal Income Tax Considerations" and "Plan of Distribution," and in the Form OC in Item 14, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents or proceedings; and

(xx) such counsel (A) is of the opinion that the Form OC and the Offering Circular and any amendments and supplements thereto (except for the financial statements included therein as to which

such counsel need express no opinion) comply as to form in all material respects with the requirements of the OTS Regulations and (B) has no reason to believe that (except for the financial statements and notes thereto and other financial or statistical information included therein as to which such counsel need express no belief) the Form OC and the Offering Circular included therein at the time the Form OC became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that the Offering Circular as amended or supplemented, if applicable, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statement therein, in the light of the circumstances under which they were made, not misleading.

Such opinions may be expressly limited to matters governed by California and Federal law and the Delaware General Corporation Law. In rendering such opinion, such counsel may rely (A) as to matters of fact, to the extent such counsel deems proper, on certificates of responsible officers of the Bank, Citadel and Gateway and certificates or other written statements of officials of jurisdictions having custody of documents respecting the corporate existence or good standing of the Bank, Citadel and Gateway. With respect to the matters to be covered in subparagraph (XX) above, counsel may state that they assume no responsibility for the accuracy or completeness of the information contained in the Form OC and that their opinion and belief is based upon their participation in the preparation of the Form OC and the Offering Circular and any amendment or supplement thereto and review and discussion of the contents thereof but is without independent check or verification except as specified.

The opinion described in this paragraph (o) shall be rendered to you at the request of the Bank and Citadel and shall so state therein.

The parties hereto understand that opinions of Delaware law regarding any authorizations of the Restructuring and Recapitalization required from the stockholder of Citadel will be provided by Morris, Nichols, Arsht & Tunnel, which opinions will be rendered to J.P. Morgan at the request of the Bank and Citadel and shall so state therein.

(p) On the effective date of the Form OC and the effective date of the most recently filed post-effective amendment to the Form OC and also on the Closing Date, Deloitte & Touche shall have furnished to J.P. Morgan letters, dated the respective dates of delivery thereof, in form and substance satisfactory to J.P. Morgan, containing statements and information of the type customarily included in accountants "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Form OC and the Offering Circular;

(q) J.P. Morgan shall have received on and as of the Closing Date an opinion of Davis Polk & Wardwell, counsel to J.P. Morgan, with respect to the due authority and valid issuance of the Offered Shares, the Form OC, the Offering Circular and other related matters as J.P. Morgan may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(r) on or prior to the Closing Date, the Bank and Citadel shall have furnished to J.P. Morgan such further certificates and documents regarding their corporate organization as J.P. Morgan shall reasonably request;

(s) J.P. Morgan shall have received copies of the executed originals of the Investor Purchase Agreements;

(t) no injunction, order, decree or judgment shall have been entered by any court or governmental agency or body enjoining, prohibiting or otherwise making illegal the consummation of the offering contemplated by this Agreement or the transactions contemplated by the Restructuring or Recapitalization, nor shall any suit, action or proceeding of any kind been brought by any governmental agency or body or other person or entity seeking to enjoin, prohibit or otherwise make illegal the consummation of the offering contemplated by this Agreement or the transactions contemplated by the Restructuring or Recapitalization;

(u) Citadel shall have received an opinion, in form and substance reasonably satisfactory to it, from Bear Stearns & Co. to the effect that sale of the Offered Shares, together with the reclassification of the outstanding share of common stock of the Bank into 6,595,624 shares of Class B Common Stock, subject to reduction as described in the Offering Circular, is fair, from a financial point of view, to Citadel and its stockholders;

(v) each of the requisite governmental or regulatory approvals and authorizations required in connection with the consummation of the transactions contemplated by this Agreement and the Restructuring and Recapitalization (including any such approvals or authorizations required to be obtained by investors) shall have been obtained, shall be in full force and effect and shall not contain any conditions or qualifications having in the reasonable judgment of J.P. Morgan a material adverse effect on the business, prospects, management, financial position, stockholders' equity or results of operations of the Bank and its subsidiaries taken as a whole;

(w) the Stockholders Agreement dated as of June 30, 1994 between the Bank and Citadel, the Registration Rights Agreement dated June 30, 1994 among the Bank, Citadel and certain holders of Class C Common Stock and the Tax Disaffiliation Agreement dated as of June 30, 1994 between the Bank and Citadel shall have been executed and delivered by the parties thereto, shall be in full force and effect and shall be in form and substance satisfactory to J.P. Morgan; and

(x) each of the representations, warranties and covenants of the purchasers contained in the Investor Purchase Agreements shall be true and correct on the Closing Date if made on and as of the Closing Date; and such purchasers shall have complied with all agreements and all conditions on their part to be performed or satisfied thereunder at or prior to the Closing Date.

10. The Bank agrees to indemnify and hold harmless J.P. Morgan and each person, if any, who controls J.P. Morgan within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation the reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted) caused by any untrue statement or alleged untrue statement of a material fact contained in the Form OC or the Offering Circular (as amended or supplemented if the Bank shall have furnished any amendments or supplements thereto) or any preliminary offering circular, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to J.P. Morgan furnished to the Bank in writing by J.P. Morgan expressly for use therein; provided that the foregoing

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indemnity with respect to any preliminary offering circular shall not inure to the benefit of J.P. Morgan (or to the benefit of any person controlling J.P. Morgan) if such untrue statement or omission or alleged untrue statement or omission made in such preliminary Offering Circular is eliminated or remedied in the Offering Circular (as amended or supplemented if the Bank shall have furnished any amendments or supplements thereto) and, if required by law, a copy of the Offering Circular (as so amended or supplemented) shall not have been furnished to such person at or prior to the written confirmation of the sale of such Offered Shares to such person.

J.P. Morgan agrees to indemnify and hold harmless the Bank, its directors, its officers who sign the Form OC, each person named in the Offering Circular as a person who will become a director of the Bank as of the Closing Date and each person who controls the Bank within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act (except for Citadel and any person controlling Citadel), to the same extent as the foregoing indemnity from the Bank to J.P. Morgan, but only with reference to information relating to J.P. Morgan furnished to the Bank in writing by J.P. Morgan expressly for use in the Form OC, the Offering Circular, any amendment or supplement thereto, or any preliminary offering circular.

If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Person") in writing, and the Indemnifying Person, upon request of the Indemnified Person, shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Any delay or failure by the Indemnified Party to provide such written notification shall only relieve the Indemnifying Person from its indemnification obligations hereunder to the extent it is prejudiced by such delay or failure. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary, (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person or (iii) the named parties in any such proceeding (including any impeded parties) include both the

Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for J.P. Morgan and such control persons of J.P. Morgan shall be designated in writing by J.P. Morgan and any such separate firm for the Bank, its directors, its officers who sign the Form OC, each person named in the Offering Circular as a person who will become a director of the Bank as of the Closing Date and such control persons of the Bank shall be designated in writing by the Bank. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify any Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested an Indemnifying Person to reimburse the Indemnified Person for fees and expenses of counsel as contemplated by the third sentence of this paragraph, the Indemnifying Person agrees that it shall be liable for any settlement of any proceeding effected in good faith without its written consent if (i) such settlement is entered into more than 60 days after receipt by such Indemnifying Person of the aforesaid request and (ii) such Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the prior written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Indemnified Person, unless such settlement includes an unconditional release of such Indemnified Person from all liability on claims that are the subject matter of such proceeding.

If the indemnification provided for in the first and second paragraphs of this Section 10 is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to

reflect the relative benefits received by the Bank on the one hand and J.P. Morgan on the other hand from the offering of the Offered Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Bank on the one hand and J.P. Morgan on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Bank on the one hand and J.P. Morgan on the other shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Offered Shares (before deducting expenses) received by the Bank and the Placement Agency Fee received by J.P. Morgan, in each case as set forth in the table on the cover of the Offering Circular, bear to the aggregate public offering price of the Offered Shares. The relative fault of the Bank on the one hand and J.P. Morgan on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Bank or by J.P. Morgan and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Bank and J.P. Morgan agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, in no event shall J.P. Morgan be required to contribute any amount in excess of the amount by which the total price at which the Offered Shares distributed to the public were offered to the public exceeds the amount of any damages that J.P. Morgan has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section 10 are in addition to any

liability which the Indemnifying Persons may have otherwise have to the Indemnified Persons referred to above.

The indemnity and contribution agreements contained in this Section 10, the representations and warranties of the Bank and Citadel set forth in this Agreement and the guarantee obligations of Citadel set forth below shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of J.P. Morgan or any person controlling J.P. Morgan or by or on behalf the Bank, its officers or directors or any other person controlling the Bank and (iii) acceptance of and payment for any of the Offered Shares.

Subject to clauses (i) and (ii) below, Citadel hereby unconditionally guarantees the indemnity and contribution obligations of the Bank set forth in the first and fourth paragraphs of this section 10, provided that:

(i) Citadel shall have no liability under this guarantee unless and until (A) the relevant Indemnified Person shall have obtained a final, unappealable judgment against the Bank in a court of appropriate jurisdiction for losses, claims, damages and liabilities payable by the Bank under such paragraph, (B) the Bank shall have failed to satisfy such judgment in whole or in part for a period in excess of 20 days, and (C) the relevant Indemnified Person shall have delivered a certified copy of such judgment to Citadel and notified Citadel in writing to what extent the Bank shall have failed to satisfy such judgment, and

(ii) the liability of Citadel under this guarantee shall in any event not exceed such portion of any such judgment as shall have remained unsatisfied at the end of the 20-day period referred to in clause (i) (B) (the "Guaranteed Amount").

This is a continuing guarantee of the Guaranteed Amount and may not be revoked. Except as expressly set forth herein, Citadel hereby waives presentment, demand for payment or performance, notice of dishonor or nonperformance, protest, acceptance or notice of acceptance of this guarantee and any defenses available to it as a guarantor as a result of a modification of the underlying obligations guaranteed so long as such modification does not materially adversely affect the interests of Citadel. Citadel assumes the responsibility for being and keeping itself informed of the financial condition of the Bank and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Amount that diligent inquiry would reveal and agrees that the Bank shall have no duty to

advise Citadel of information regarding such condition or circumstances.

The indemnity and contribution agreements contained herein shall be in addition to and not in lieu of any indemnification and contribution arrangements provided for under the terms of the Engagement Letters and this Agreement and the indemnity and contribution agreements contained herein shall in no way limit or modify J.P. Morgan's rights under the Engagement Letters.

11. Notwithstanding anything herein contained, this Agreement may be terminated in the absolute discretion of J.P. Morgan, by notice given to the Bank and Citadel, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of or guaranteed by the Bank or Citadel shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities, or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of J.P. Morgan, is material and adverse and which, in the judgment of J.P. Morgan, makes it impracticable to market the Offered Shares on the terms and in the manner contemplated in the Offering Circular.

12. This Agreement shall become effective upon the later of (x) execution and delivery hereof by the parties hereto and (y) release of notification of the effectiveness of the Form OC (or, if applicable, any post-effective amendment) by the OTS.

13. If this Agreement shall be terminated by J.P. Morgan because of any failure or refusal on the part of the Bank to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Bank shall be unable to perform its obligations under this Agreement or any condition of J.P. Morgan's obligations cannot be fulfilled, the Bank agrees to reimburse J.P. Morgan for all out-of-pocket expenses (including the fees and expenses of its counsel) reasonably incurred by J.P. Morgan in connection with this Agreement or the offering contemplated hereunder, provided that no such reimbursement shall be required if this Agreement is terminated pursuant

to Section 11 or if any of the conditions specified in Sections 9(f), (s) or (x) is not satisfied.

14. This Agreement shall inure to the benefit of and be binding upon the Bank, Citadel, J.P. Morgan, and controlling persons referred to herein and their respective successors and assigns. Except as provided in Section 7(m) hereof, nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained.

15. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to J.P. Morgan shall be given to J.P. Morgan Securities Inc., 60 Wall Street, New York, New York 10260 (telecopy (212) 648-5024); Attention: Syndicate Department. Notices to the Bank shall be given to it at 600 North Brand Avenue, Glendale, California 91203, (telecopy (818) 549-3773); Attention: Godfrey B. Evans. Notices to Citadel shall be given to it at 600 North Brand Avenue, Glendale, California 91203, (telecopy (818) 549-3762); Attention: Steven Wesson.

16. This Agreement may be signed in counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws provisions thereof.

If the foregoing is in accordance with J.P. Morgan's understanding, please sign and return four counterparts hereof.

Very truly yours,

FIDELITY FEDERAL BANK,  
A Federal Savings Bank

By: /s/ RICHARD M. GREENWOOD

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Name: Richard M. Greenwood  
Title: President and Chief Executive  
Officer

CITADEL HOLDING CORPORATION

By: /s/ RICHARD M. GREENWOOD

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Name: Richard M. Greenwood  
Title: President and Chief Executive  
Officer

Accepted: July 12, 1994

J.P. Morgan Securities Inc.

By: /s/ KENNETH S. MCCORMICK

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Name: Kenneth S. McCormick  
Title: Managing Director

FIDELITY FEDERAL BANK  
600 North Brand Boulevard  
Glendale, California 91209

August 3, 1994

Citadel Realty, Inc.  
600 North Brand Boulevard  
Glendale, California 91209  
Attention: Mr. Steve Wesson

Re: Real Estate Purchase Agreement (the "Purchase Agreement")  
dated as of August 3, 1994, by and between Fidelity Federal  
Bank, as Seller, and Citadel Realty, Inc., as Purchaser

Gentlemen:

This letter is written with reference to the above-described Purchase Agreement, and constitutes a supplement and amendment to the Purchase Agreement.

The parties to the Purchase Agreement acknowledge and agree that the Deeds have been recorded in the Counties in which the REO Properties are located, notwithstanding the fact that the cash portion of the Purchase Price has not been paid. The parties acknowledge and agree that the Purchase Agreement creates an enforceable obligation on the part of Purchaser to pay the cash balance of the Purchase Price to Seller, which such amount is required to be paid on August 4, 1994. The Purchaser Notes and the Purchaser Mortgages have been duly executed and delivered as of the date hereof.

Notwithstanding the foregoing, in the event that the cash portion of the Purchase Price is not funded on August 4, 1994, then the acquisition of the REO Properties by the Purchaser shall be automatically rescinded, the Purchaser shall promptly reconvey all of its right, title and interest in and to the REO Properties to Seller, the Seller shall reconvey the Purchaser Mortgages and cancel the Purchaser Notes, and the parties hereby agree to take all such further acts and execute all such further documents as may be reasonably necessary, at the request of the other party, to



cancel and rescind the transactions taken under the Purchase Agreement.

Except as set forth herein, the Purchase Agreement remains unmodified and in full force and effect. If this letter agreement comports with your understanding, please execute and return a copy to us for our files.

Very truly yours,

FIDELITY FEDERAL BANK, a  
Federal Savings Bank

By: /s/ GODFREY B. EVANS

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Its: Executive Vice President  
and Secretary  
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Agreed to this 3rd day of  
August, 1994.

CITADEL REALTY, INC.,  
a Delaware corporation

By: /s/ STEVE WESSON

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Its: President and Secretary  
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