

President & CEO Contract of Employment

This CONTRACT OF EMPLOYMENT (hereinafter referred to as the "Contract") between the Board of Directors of the United Methodist Federal Credit Union (hereinafter referred to as the "Credit Union"), and Ramon Noperi (hereinafter referred to as the "Executive") (Credit Union and Executive being individually referred to herein as a "Party" and collectively being referred to herein as the "Parties") is entered into this ____ day of _____, 20__.

WITNESSETH:

WHEREAS, Credit Union desires to employ Executive as its President & Chief Executive Officer under such non-exclusive terms and conditions as are set forth herein and as may be revised or modified from time to time; and
WHEREAS, Executive desires to serve Credit Union as its President & Chief Executive Officer pursuant to the arrangements for compensation, perquisites, and other employment standards as are detailed below;
NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. EMPLOYMENT

The Credit Union hereby employs Executive as President & CEO of Federal Credit Union and the Executive hereby accepts employment upon the terms and conditions hereinafter set forth. The Executive shall report to the Credit Union's Board of Directors (hereinafter referred to as the "Board"), and shall perform those duties of President & Chief Executive Officer under the supervision and direction of the Board. The Executive shall be bound by and follow the established rules and policies of the Credit Union unless expressly agreed to otherwise herein.

2. EMPLOYMENT TERM

Subject to the provisions of termination as hereinafter provided, this Contract shall commence on _____ and remain in force for a period of XXXyears. In the absence of any action prior to six months from the then current expiration date of such agreement of employment to either terminate or modify such agreement as to the duration of its term, the Contract shall be automatically renewed for five-year periods with the same terms and conditions as the agreement then in force. Should the Contract not be renewed and the Executive continues in (his) (her) position, (he) (she) will thereafter become an employee-at-will entitled to the same level of compensation and perquisites of office as (he) (she) was receiving when the then current agreement terminated.

3. EXECUTIVE'S RESPONSIBILITIES

3.1 During the term of this Contract, Executive shall devote (his) (her) full time and energy to the business and affairs of Credit Union, and shall use (his) (her) best efforts to promote the interests of the Credit Union, except as otherwise agreed to by Executive and the Board of Directors.

3.2 The Executive shall have the responsibility and authority to supervise and direct the management and administration of all facets of the operation of the Credit Union, except as specifically denoted in other parts of this Contract, within prescribed policy limits, the Charter, the Bylaws, the Credit Union's policies, rules and regulations, and applicable Federal or state laws and regulations. The Executive shall, within the foregoing limits, formulate, approve, supervise and direct the methods of keeping the records of the Credit Union, statistical or otherwise, and shall prepare all such reports as are required by law or regulation, including, but not limited to, statements and reports of the Board of Directors and shall, from time to time, and at any time upon request, make reports to the Credit Union's Board of Directors concerning the affairs and financial condition of the Credit Union, and such other matters as the Board may direct. Additionally, the Executive shall perform those duties specifically set forth in the Credit Union's Bylaws. This shall not be deemed to limit the powers of the Board of Directors and/or the Supervisory Committee of the Credit Union.

3.3 The Executive shall not be responsible for the supervision or activities of the Credit Union's internal audit activity.

3.4 The Executive shall be Chairperson of the Asset/Liability Committee.

3.5 The Executive shall supervise the Credit Union's daily investment activities in accordance with the policies, procedures, and goals established by the Board of Directors.

3.6 The Executive will not be allowed to be a member of the Credit Union's Board of Directors. (If the Executive is permitted to become a director, the Executive shall not be eligible for election as an officer of the Board.) If the Executive is not a member of the Board of Directors, the Executive will be allowed to attend Board meetings, except those meetings or parts of meetings which directly affect performance of the Executive's official duties, compensation, or terms of employment, as the Board decides in its sole discretion. (In the event that the Executive is elected to the Board, the Executive will be subject to the Board's procedural rules and customary practices for excusal of members.) Discontinuance for any reason of the Executive's status as (Manager) (President) is hereby agreed to constitute resignation of the Executive from the Board of Directors effective immediately if the Executive is a member of the Board. This resignation is agreed to be automatic without further action on the part of either the Executive or the Board and further constitutes such "cause" as may be required for termination from credit union boards by National Credit Union Administration regulations.

3.7 The Executive will participate in such professional and community activities, which are beneficial to, and serve the interests of the Credit Union.

3.8 The Executive's duties shall include, but not be limited to, the authority to hire, compensate, and terminate the Credit Union's staff within budgetary limitations, with the exception of any Vice President notwithstanding the Credit Union's Bylaws. The Vice President shall be hired and terminated by the Executive in each case with the advice and consent of the Board. The Executive shall have the authority to set the compensation for each executive team member.

3.9 The number of days and time spent by the Executive outside of the office for any purpose except vacation shall be subject to review of the Board unless the number of such days annually is less than 12.

4. COMPENSATION

4.1 In consideration for the Executive's services, Credit Union shall compensate him/her as follows: (a) a base salary of \$0.00 per year, and (b) a maximum potential target incentive bonus based upon the timely establishment of goals set by the Board of Directors on a quarterly basis. The actual incentive bonus, or any portion of it, shall be solely awarded by the Board of Directors by comparing the Executive's performance to the goals set by the Board of Directors. Such determination, and the reasonable setting of such goals, shall be at the discretion of the Board of Directors. The aforementioned goals for the period as stated thereon, as they may be revised from time to time, are attached as Enclosure 1. Further, said incentive bonus which may be awarded shall be disbursed not later than one month after completion of the quarter for which said target incentive bonus was established.

4.2 The Board of Directors will, on the anniversary date of this Agreement, review and consider the Executive's total compensation and, in its unfettered discretion, adjust such as it deems appropriate. The Board may also declare an annual bonus at that time as well. Action to authorize any such adjustment to the Executive's compensation will be taken by January of each calendar year. Notwithstanding the foregoing, the Board of Directors may not modify such compensation in a manner which adversely affects the Executive. Although it may not be raised at a given point, it will not be lowered during the contract's term if the executive continues to be employed by the credit union.

5. BENEFITS

5.1 The Executive shall be entitled to 4 weeks of vacation per year excluding those holidays normally given to all Credit Union employees. Vacation time may be accrued to the same extent as other members of the executive team. If the termination of this Contract occurs due to the inability of the Executive to perform the duties of office because of illness, disability, retirement, or death, (he) (she) shall be paid for accrued vacation days at (his) (her) then current salary rate. The Executive shall have the right to take at least 10 consecutive days of vacation each

year unless the Chairman of the Board and the Executive agree otherwise. The Executive, as well, may take one day off (floater day) monthly for personal purposes.

5.2 The Executive shall be eligible to participate in the Credit Union's pension plan in accordance with the provisions of that plan.

5.3 The Executive shall be eligible to receive a monthly reimbursement for health insurance costs incurred in the coverage of self and family.

5.4 The Executive shall receive without charge parking for (his) (her) automobile at such facilities owned or controlled by the Credit Union.

5.5 The Executive shall be eligible to receive all other authorized employee benefits that other Credit Union employees receive, any other benefits that will be available as set forth herein, or as authorized by the policy of the Board of Directors, on a non-duplicative basis. Benefits provided by this Agreement preempt and exclude participation in similar benefits provided to other Credit Union employees unless expressly provided otherwise.

5.6 The Executive shall be provided a nonqualified retirement benefit that supplements such other benefits that s/he may be otherwise entitled to under the Credit Union's retirement plan, the terms and conditions of which will be set out in a separate written agreement approved by the Board. A benefits expert will be consulted on any specific benefit elements included in this agreement.

6. EXPENSE REIMBURSEMENT

6.1 Credit Union shall pay or reimburse Executive for all reasonable expenses incurred by Executive in the performance of the duties and responsibilities under this Contract or in accordance with the approved budget and adopted policies of Credit Union.

6.2 Executive, at the expense of Credit Union, shall participate and continue Executive's education in programs which are beneficial and advantageous to the current and future operation of Credit Union. Executive shall be entitled to membership in such organizations and associations, and Executive shall participate in such organizations for which Credit Union will pay the dues or fees, and which benefit Credit Union in an informational, communicative, professional or educational manner.

6.3 The Executive will travel on behalf of Credit Union when necessary, and have (his) (her) spouse accompany (him) (her) to such functions as spouses may attend, at his/her option. Travel by air will be coach class within the continental limits of the United States. The Executive will keep the Chairman of the Board of Directors informed of his/her itinerary. Except as set forth herein, the Executive shall be subject to the Credit Union travel rules and regulations applicable to all Credit Union employees.

On such occasions when the Executive's spouse accompanies (him) (her) on official travel for Credit Union, the Executive will be reimbursed for the costs associated with said spouse's travel as well as the grossed-up value of any income tax expense for which the Executive may be liable and that relates from said reimbursements.

7. TERMINATION

7.1 Should the Executive suffer from an illness or incapacity which prevents him/her from satisfactorily rendering (his) (her) services to the Credit Union for a period of more than four months and it appears to the satisfaction of the Board of Directors that, based upon competent medical evidence, the Executive will continue to be incapacitated for an extended period or be unable to render the services, the Board of Directors, in its sole discretion, may terminate this Agreement. In such event, the Credit Union shall provide the Executive with written notice of such termination and the Executive shall be entitled only to salary earned until the date of termination along with payment for unused vacation and vested benefits. All other obligations of the Credit Union to the Executive under this Contract shall cease except the Executive shall continue to receive all authorized benefits included in the employee benefit package as it relates to disability insurance, salary contingency insurance, and certain other benefits as may be set forth in this Contract. To the extent available, it is agreed that the provisions in current medical insurance policies providing for continued coverage for disability for employees subsequent to termination shall apply to the Executive and the Credit Union shall have the right to enforce such provisions notwithstanding any other provision of this Contract.

7.2 The Credit Union Board of Directors may unilaterally discharge the Executive at any time and for any reason, except for cause as set forth herein, by a majority vote of the entire Board of Directors, excluding the Executive, at a regular or special Board meeting. In the event of either non-renewal of this Contract or termination of this Contract for the convenience of the Credit Union, the Executive shall be entitled to receive the equivalent of the termination benefits set forth for other employees to the extent such are available and full pay for each month up to the end of the current term period. Such payments as the Executive may be entitled to shall be made monthly. During the period of such payout, the duties and responsibilities of the Parties to each other shall be terminated except as to confidentiality and as may otherwise be expressed herein.

7.3 The Credit Union Board of Directors, by a majority of the Board, excluding the Executive if (he) (she) is a board member, shall have the right to discharge the Executive at any time and without notice when the Executive has: (a) been absent from employment for an unauthorized period of more than one week; or (b) committed a material breach of this Contract; or (c) been grossly negligent in the performance of required duties; or (d) willfully failed to perform the obligations under this Contract; or (e) committed unethical, dishonest, fraudulent, or criminal acts against the Credit Union; or (f) become non bondable.

7.4 Upon termination for cause, the Executive shall be entitled to receive such salary up until the date of termination. For causes set forth in (a) through (d) above, the

Executive shall be additionally entitled to be paid for unused vacation within the limits set forth herein and, for the causes set forth in (a) and (b) above, the Executive shall be entitled additionally to six months pay at the then current salary. In the event of termination for cause, all other obligations of the Credit Union to the Executive under this Agreement shall cease.

7.5 The Parties agree that under any circumstance where the Executive's employment has been terminated and that under such circumstance the Credit Union may make a severance payment or grant other valuable benefits to the Executive, howsoever such may be structured or extended, the Executive will not otherwise be entitled to receive such benefit(s) until the Parties have entered into a release and hold harmless agreement in which all issues that have arisen or may arise between the Parties are resolved.

8. ASSIGNMENT

This being a Contract for the personal services of the Executive, the duties hereunder shall not be delegable and the rights hereunder shall not be assignable, and any attempted assignment or delegation shall be void, except that in the event of the Executive's death while this Contract is in effect, any salary due or payable for such services rendered pursuant hereto, together with payment for unused vacation within the maximum limits set forth herein, shall be payable to the Executive's estate, heirs or executors. In the event of a merger, transfer, consolidation, or reorganization involving the Credit Union, this Contract shall continue in force and become an obligation of the Credit Union's successor.

9. INDEMNIFICATION

In the manner and to the extent permitted by law, the Credit Union shall indemnify, defend, hold, and save the Executive, (his) (her) heirs, administrators, or executors, and each of them harmless from any and all actions and causes of action, claims, demands, liabilities, losses, damages or expenses, of whatever kind and nature including judgments, interest, reasonable attorney's fees, and all other reasonable costs, expenses and charges which the Executive, (his) (her) heirs, administrators or executors and each of them shall or may at any time or from time to time, subsequent to the date of the Contract, sustain or incur, or become subject to by reason of any claim or claims against the Executive, (his) (her) heirs, administrators or executors and each of them, for any reason resulting from the Executive, (his) (her) heirs, administrators or executors and each of them carrying out the terms and conditions of this Contract, except for gross negligence, willful misconduct, fraud or criminal acts or omissions on the part of the Executive, and provided further that the Executive, (his) (her) heirs, administrators, executors or one of them promptly notifies the Credit Union of adverse claims or threatened or actual lawsuits. The Executive is hereby held harmless in the same manner and to the same extent as set forth above from any action, charge, expense, or claim arising from or relating to this Agreement brought by an individual Board member acting in (his) (her) own right. The Executive, to the extent reasonably possible, within legal limits, shall provide complete cooperation to the Credit Union, its attorneys and agents in

such cases. The Executive hereby holds harmless in the same manner and to the same extent as set forth herein each individual on the Board, including the signatory of this Contract, from any action, charge, expense or claim arising from or relating to this Contract.

10. CONFIDENTIALITY

The Executive shall not, during the term of this Contract, or at any time thereafter, impart to anyone any confidential information which the Executive may acquire in the performance of his or her duties under this Contract, except as permitted by the Board or under the compulsion of law. Upon termination of the Executive's employment hereunder, Executive agrees to and will surrender to Credit Union all materials and files relating to the affairs and operations of the Credit Union which are in the Executive's possession, except for such personal memoranda created specifically by the Executive which the Executive may keep but the Executive agrees not to divulge any information pertaining to the Credit Union to any other person.

11. APPLICABLE LAW

Any dispute which arises under this agreement, shall be resolved in accordance with the laws of the state of California.

12. ADMINISTRATIVE PROVISIONS

12.1 Section headings and numbers have been inserted for convenience of reference only and, if there shall be any conflict between any such headings or numbers and the text of this Contract, the text shall control.

12.2 This Contract may be executed in one or more counterparts, each of which shall be considered an original, and all of which taken together shall be considered one and the same instrument.

12.3 Waiver by either Party of any term or condition of this Contract or any breach shall not constitute a waiver of any other term or condition or breach of this Contract.

12.4 Credit Union may, at its option and expense, obtain such performance and fidelity bonds covering the Executive which are appropriate or necessary.

12.5 This Contract may be altered, amended, or terminated at any time by the mutual written agreement of the Executive and the Board of Directors.

12.6 This Contract contains all of the terms agreed upon by the Parties with respect to the subject matter of this Contract and supersedes all prior agreements, arrangements, and communications between the parties concerning such matter, whether oral or written - except for the separate written agreement between the Credit Union and the Executive concerning the provision of supplemental retirement benefits as provided in this Contract, above.

12.7 Any controversy or claim arising out of or relating to this Contract, or the breach thereof, shall be settled by arbitration in California administered by the American Arbitration Association in accordance with its rules. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals this ____ day of _____20__.

FEDERAL CREDIT UNION

_____, Chairman Board of Directors

I hereby accept employment from the Credit Union upon the terms and conditions described in this Contract and agree to faithfully perform the duties of President & Chief Executive Officer of Credit Union. _____, Executive.