

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)

Karen Johnson,)

Former Administrative Assistant)
and Executive Secretary of)
Eureka Homestead Society,)

New Orleans, Louisiana)

OTS Order No. DAL-97-01
Dated: January 9, 1997

STIPULATION AND CONSENT TO ENTRY
OF AN ORDER OF PROHIBITION AND ORDER TO
CEASE AND DESIST FOR RESTITUTION AND OTHER AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed Karen Johnson ("JOHNSON"), former administrative assistant and executive secretary of Eureka Homestead Society, New Orleans, Louisiana, OTS No. 03193 ("Eureka Homestead" or the "Institution") that the OTS is of the opinion that grounds exist to initiate administrative cease and desist and prohibition proceedings against JOHNSON pursuant to Sections 8(b) and 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) and 12 U.S.C. § 1818(e).¹

WHEREAS, JOHNSON desires to cooperate with the OTS to avoid the time and expense of such administrative litigation and, without

1. All references in this Stipulation and Consent and the Orders are to the U.S.C. are as amended.

admitting or denying that such grounds exist, but admitting the statements and conclusions in Paragraph 1 below, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Eureka Homestead is and was at all times relevant hereto, a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1462(4). Accordingly, Eureka Homestead is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) JOHNSON, as a former administrative assistant and executive secretary of Eureka Homestead, is deemed to be an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), having served in such capacity within six (6) years of the date hereof (see 12 U.S.C. § 1818(i)(3)).

(c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. §1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain an enforcement proceeding against institution-affiliated parties. The Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue orders of prohibition and orders to cease and desist on behalf of the OTS where the respondent has consented to the entry of the order. Therefore, JOHNSON is subject to the authority of the OTS to initiate and maintain cease and desist and prohibition proceedings against her pursuant to Section 8(b) of the FDIA, 12

U.S.C. § 1818(b) and Section 8(e) of the FDIA, 12 U.S.C. § 1818(e).

2. OTS Findings of Fact. The OTS finds that from 1992 through June 26, 1996, JOHNSON, without authorization, misapplied \$49,850.83 of the funds of Eureka Homestead to her own use. Her activities included, but were not limited to: the establishment of fictitious share loan accounts; making draws against these fictitious loan accounts; and, forging customers' signatures as endorsements on dividend checks.

On September 4, 1996, JOHNSON paid \$49,850.83 in restitution to Eureka Homestead to offset the above described losses incurred by the Institution.

3. Consent. JOHNSON consents to the issuance by the OTS of the accompanying Order of Prohibition and Order to Cease and Desist for Restitution and Other Affirmative Relief ("Orders"). She further agrees to comply with its terms upon issuance and stipulates that the Orders comply with all requirements of law.

4. Finality. The Orders are issued by the OTS under the authority of Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) and Section 8(e) of the FDIA, 12 U.S.C. § 1818(e). Upon their issuance by the Regional Director or designee for the Midwest Region, OTS, they shall be final orders, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers. JOHNSON waives the following:

(a) the right to be served with a written notice of the OTS's charges against her (see Sections 8(b) and 8(e) of the FDIA);

(b) the right to an administrative hearing of the OTS's charges against her (see Sections 8(b) and 8(e) of the FDIA); and

(c) the right to seek judicial review of the Order, including, without limitation, any such right provided by Section 8(h) of the FDIA, 12 U.S.C. §1818(h), or otherwise to challenge the validity of the Order.

6. Indemnification. JOHNSON shall neither cause nor permit Eureka Homestead (or any successor institution, holding company, subsidiary, or service corporation thereof) to incur, directly or indirectly, any expense for any legal or other professional expenses incurred relative to the negotiation and issuance of the Order of Prohibition and Order to Cease and Desist for Affirmative Relief. Nor shall JOHNSON obtain any indemnification (or other reimbursement) from the Institution (or any successor institution, holding company, subsidiary, or service corporation thereof) with respect to such amounts. Any such payments received by or on behalf of JOHNSON in connection with this action shall be returned to Eureka Homestead (or the successor institution, holding company, subsidiary, or service corporation thereof).

7. Other Government Actions Not Affected.

(a) JOHNSON acknowledges and agrees that the consent to the entry of the Orders is for the purpose of resolving these cease and desist and prohibition actions only, and does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of JOHNSON that arise pursuant to these actions or otherwise, and that may be or

have been brought by any other government entity other than the
OTS.

(b) By signing this Stipulation and Consent to Entry of an
Order of Prohibition and Order to Cease and Desist for Restitution
and Other Affirmative Relief, JOHNSON agrees that she will not
assert this proceeding, her consent to the entry of the Orders,
and/or the entry of the Orders, as the basis for a claim of double
jeopardy in any pending or future proceeding brought by the United
States Department of Justice or any other Federal or state
governmental entity.

8. Acknowledgment of Criminal Sanctions. JOHNSON acknowledges
that Section 8(j) of the FDIA, 12 U.S.C. §1818(j), sets forth
criminal penalties for knowing violations of the Order of
Prohibition.

9. Agreement for Continuing Cooperation. JOHNSON agrees that,
at the OTS's request, on reasonable notice and without service of a
subpoena, she will provide discovery and testify truthfully at any
deposition and at any judicial or administrative proceeding related
to any investigation, litigation, or other proceeding maintained by
the OTS relating to Eureka Homestead, its holding companies, its
subsidiaries, and its institution-affiliated parties, except that
JOHNSON does not waive any privilege against self-incrimination
under the Fifth Amendment of the United States Constitution. If
JOHNSON invokes a privilege against self-incrimination under the
Fifth Amendment of the United States Constitution with respect to
any matter about which the OTS inquires or the production of any

document requested by the OTS and the OTS obtains a grant of immunity pursuant to 18 U.S.C. § 6001 et seq., JOHNSON agrees, consistent with any such grant of immunity, to provide discovery and testify truthfully at any deposition and at any judicial, administrative, or investigative proceeding on the matter for which immunity is given.

WHEREFORE, JOHNSON executes this Stipulation and Consent to Entry of an Order of Prohibition and Order to Cease and Desist for Restitution and Other Affirmative Relief, intending to be legally bound hereby.

By:



Karen Johnson

Accepted By:
Office of Thrift Supervision



Frederick R. Casteel
Midwest Regional Director

Dated: 12/30/96

Dated: 1-9-97

* * * * *

ACKNOWLEDGMENT

State of Louisiana)
~~PARISH~~ County of Orleans)

On this 30th day of Dec., 1996, before me, the undersigned notary public, personally appeared Karen Johnson and acknowledged her execution of the foregoing STIPULATION AND CONSENT TO ENTRY OF AN ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR RESTITUTION AND OTHER AFFIRMATIVE RELIEF

[Signature]
Notary Public

My Commission expires:
Issued for life.

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)	
Karen Johnson,)	
Former Administrative Assistant and Executive Secretary of Eureka Homestead Society)	OTS Order No. DAL-97-01 Dated: January 9, 1997
New Orleans, Louisiana)	

ORDER OF PROHIBITION
AND
ORDER TO CEASE AND DESIST FOR RESTITUTION AND
OTHER AFFIRMATIVE RELIEF

WHEREAS, Karen Johnson ("JOHNSON") has executed a Stipulation and Consent to Entry of an Order of Prohibition and Order to Cease and Desist for Restitution and Other Affirmative Relief ("Stipulation") on December 30, 1996; and

WHEREAS, JOHNSON, by her execution of the Stipulation, has consented and agreed to the issuance of this Order of Prohibition and Order to Cease and Desist for Restitution and Other Affirmative Relief ("Orders") by the Office of Thrift Supervision ("OTS"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e) and Section 8(b) of the FDIA, 12 U.S.C. § 1818(b); and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue orders of prohibition and orders to cease and desist on behalf of the OTS where the respondent has consented to the entry of the order.

NOW THEREFORE, IT IS ORDERED that:

ORDER OF PROHIBITION

1. JOHNSON is prohibited from further participation, in any manner, in the conduct of the affairs of Eureka Homestead Society, New Orleans, Louisiana ("Eureka Homestead"), and any successor institution, holding company, subsidiary, and/or service corporation thereof.

2. Due to and without limitation on the operation of Section 8(e)(6) of the FDIA, 12 U.S.C. § 1818(e)(6), JOHNSON shall not:

(a) participate in any manner in the conduct of the affairs of the institutions and agencies set forth in paragraph 3 of this Order;

(b) solicit, procure, transfer, attempt to transfer, vote or attempt to vote any proxy, consent or authorization with respect to any voting rights in any of the institutions and agencies set forth in paragraph 3 of this Order;

(c) violate any voting agreement previously approved by the "appropriate Federal banking agency" as defined in Section 3(q) of the FDIA, 12 U.S.C. § 1813(q); or

(d) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

3. Due to the operation of Section 8(e)(7) of the FDIA, 12 U.S.C. § 1818(e)(7), JOHNSON shall not continue or commence to hold any office in, or participate in any manner in the conduct of the affairs of:

(a) any insured depository institution, as defined in Section 8(c) of the FDIA, 12 U.S.C. 1818(c);

(b) any institution treated as an insured bank under Sections 8(b)(3) or 8(b)(4) of the FDIA, 12 U.S.C. § 1818(b)(3) or (b)(4);

(c) any institution treated as a savings association under Section 8(b)(9) of the FDIA, 12 U.S.C. § 1818(b)(9), including any savings and loan holding company, any subsidiary of a savings and loan holding company, any service corporation of a savings association, or any subsidiary of a service corporation, whether wholly or partly owned;

(d) any insured credit union under the Federal Credit Union Act, 12 U.S.C. §§ 1781 et seq.;

(e) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 et seq.;

(f) any appropriate Federal depository institution regulatory agency;

(g) the Federal Housing Finance Board and any Federal Home Loan Bank; or

(h) the Resolution Trust Corporation.

4. Pursuant to Section 8(e)(7)(B) of the FDIA, 12 U.S.C. § 1818(e)(7)(B), the prohibitions of paragraphs 2 and 3 of this Order shall cease to apply with respect to a particular institution if JOHNSON obtains prior written consent of both the OTS and the

institution's "appropriate Federal financial institutions regulatory agency," as defined in Section 8(e)(7)(D) of the FDIA, 12 U.S.C. § 1818(e)(7)(D).

5. The Stipulation is made a part hereof and is incorporated herein by this reference.

6. Notice is hereby provided that a violation of this Order could subject JOHNSON to the provisions of Section 8(j) of the FDIA, 12 U.S.C. § 1818(j).

7. JOHNSON shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

IT IS FURTHER ORDERED that:

**ORDER TO CEASE AND DESIST FOR RESTITUTION
AND OTHER AFFIRMATIVE RELIEF**

8. JOHNSON is and shall be subject to the statutory requirements provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

9. Within ten (10) days following the effective date of this Order, JOHNSON shall make reimbursement to Eureka Homestead in the amount of \$2,500.00. This sum shall represent reimbursement of costs expended by Eureka Homestead as a result JOHNSON's reckless conduct as detailed in the Stipulation.

10. JOHNSON shall comply with paragraph nine (9) of this Order by sending a cashier's check, in the required amount, payable to Eureka Homestead to the attention of:

Scott W. Liggett
Enforcement/Litigation
Office of Thrift Supervision
8500 West 110th, Suite 400
Overland Park, KS 66210

11. The Stipulation is made a part hereof and is incorporated herein by this reference.

12. JOHNSON shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

13. The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

14. These Orders shall supersede and terminate by operation OTS Order, In the Matter of Karen Johnson, No. DAL-95-11, dated April 4, 1995.

THE OFFICE OF THRIFT SUPERVISION

By:



Frederick R. Casteel
Midwest Regional Director