

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

\_\_\_\_\_  
In the Matter of )

MICHAEL E. RICHARDSON )  
Former President, and )  
Member of the Board )  
of Directors of )  
of Torrance Bank, S.S.B., )  
Torrance, California, and )

)  
Former Member of the Board )  
of Directors of )  
South Bay Holdings Corp., )  
the holding company of )  
Torrance Bank, S.S.B. )  
\_\_\_\_\_ )

OTS Order No.: SF-96-016

Date: December 5, 1996

STIPULATION AND CONSENT TO ISSUANCE OF  
ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed MICHAEL E. RICHARDSON ("RICHARDSON") that the OTS is of the opinion that grounds exist to initiate administrative proceedings against him for the issuance of administrative orders, pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, RICHARDSON desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings, and without admitting or denying that such grounds exist, or the Findings of Facts or opinions and conclusions of the OTS, except

Stipulation & Consent

as to Jurisdiction, at paragraph 1 below, which is expressly admitted, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Torrance Bank, S.S.B., is a state-chartered savings and loan association maintaining its principal place of business at 22759 Hawthorne Blvd., Torrance, California ("Torrance"). Until June 30, 1996, the stock of Torrance was wholly owned by South Bay Holdings Corporation, at which time the stock was acquired by Regency Savings Bank, FSB, Naperville, Illinois.

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

(c) As a director and officer prior to August 9, 1989, RICHARDSON was a person participating in the conduct of the affairs of Torrance; from and after August 9, 1989, RICHARDSON was an "institution-affiliated party" as that term is defined by 12 U.S.C. § 1813(u), having served in such capacity within six years of the date hereof (see 12 U.S.C. § 1818i(3)).

(d) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking Agency" to maintain an enforcement proceeding against such a savings association and/or its institution-affiliated parties. The Director of the OTS has delegated to the Regional Directors of the OTS or their designees ("Regional Director") the authority to issue cease and desist

orders where the individual has consented to the issuance of the Order. Therefore, RICHARDSON is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against him pursuant to 12 U.S.C. § 1818(b).

2. Consent.

RICHARDSON consents to the issuance by the OTS of the accompanying Order to Cease and Desist ("Order"). He further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

3. OTS Findings of Fact.

The OTS finds that RICHARDSON violated laws, rules, and regulations, engaged in unsafe and unsound practices, and breached his fiduciary duties when he did the following:

(a) While serving as director and President of Torrance, RICHARDSON engaged repeatedly in transactions where there was a conflict of interest between his interests and those of Torrance. For example, RICHARDSON failed to fully advise the board that he had engaged in personal business transactions with officers and directors of Torrance, which did or could have impacted the operations of Torrance.

(b) While serving as President, RICHARDSON failed to disclose relevant personal business transactions in the Management Questionnaires submitted to the OTS, and in one case,

personally signed and certified that the information provided in the questionnaire was true and correct when that was not the case.

(c) While serving as a director, investment loan committee member, and President of Torrance, RICHARDSON caused Torrance to purchase a \$300,000 Certificate of Deposit in excess of the federally insured limit and in violation of Torrance's own policy. In return, RICHARDSON received a personal loan at a reduced rate from the institution. RICHARDSON further failed to disclose these facts to the board of directors.

4. Finality.

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

5. Waivers.

RICHARDSON waives the following:

(a) the right to be formally served with a notice of the OTS's charges against him;

(b) the right to an administrative hearing of the OTS's charges provided by 12 U.S.C. § 1818(b)(1);

(c) the right to seek judicial review of the Order, including any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and

(d) any and all claims for the award of fees, costs or expenses relating to this OTS enforcement matter and/or the Order, including any claims under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

6. Other Governmental Actions Not Affected.

(a) RICHARDSON acknowledges and agrees that the consent to entry of the Order is for the purpose of resolving this OTS enforcement matter only, and does not release, compromise, settle, dismiss, resolve, preclude or in any way affect any other civil or criminal proceeding which may be or has been brought against him by the OTS or any other governmental agency.

(b) By signing this Stipulation and Consent to Entry of an Order to Cease and Desist, RICHARDSON agrees that he will not assert this proceeding, his consent to the entry of the Order, and/or the entry of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other federal or state governmental entity.

7. Indemnification.

RICHARDSON represents that he has not received, directly or indirectly, any sums from Torrance (or any holding companies, affiliates, subsidiaries, service corporations, or successors thereof), for the purpose of indemnifying or reimbursing him for any expense incurred by RICHARDSON in connection with OTS Order No. SF-94-008 ("OTS Investigation"). RICHARDSON shall neither

cause nor permit Torrance (or any holding companies, affiliates, subsidiaries, service corporations, or successors thereof) to incur, directly or indirectly, any expense for any legal (or other professional expenses) incurred relative to the OTS Investigation or the negotiation and issuance of the Order, nor obtain any indemnification (or other reimbursement) from Torrance (or any holding companies, affiliates, subsidiaries, service corporations, or successors thereof) with respect to such expenses. In the event that any such payments are received by or on behalf of RICHARDSON in connection with this action, RICHARDSON agrees to promptly notify the OTS of the receipt of such payments and to return such payments without delay to Torrance (or any holding companies, affiliates, subsidiaries, service corporations, or successors thereof).

8. Miscellaneous.

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

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

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

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

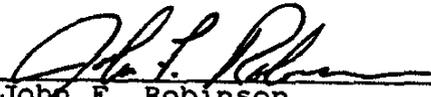
WHEREFORE, MICHAEL E. RICHARDSON executes this Stipulation intending to be legally bound thereby.

By:

Accepted by:

OFFICE OF THRIFT SUPERVISION

  
\_\_\_\_\_  
Michael E. Richardson

  
\_\_\_\_\_  
John F. Robinson  
Regional Director  
West Region

11/20/96  
\_\_\_\_\_  
Date

December 5, 1996  
\_\_\_\_\_  
Date

(richardsonc6d.stip jah/13/word)

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

_____	)	
In the Matter of	)	
	)	
MICHAEL E. RICHARDSON	)	OTS Order No.: <u>SF-96-016</u>
Former Member of the Board	)	
of Directors and President	)	Dated: <u>December 5, 1996</u>
of Torrance Bank, S.S.B.,	)	
Torrance, California, and	)	
	)	
Member of the Board	)	
of Directors of	)	
South Bay Holdings Corp.,	)	
the holding company of	)	
Torrance Bank, S.S.B.	)	
_____	)	

ORDER TO CEASE AND DESIST

WHEREAS, MICHAEL E. RICHARDSON ("RICHARDSON"), an Institution-Affiliated Party and Person Participating in the Affairs of Torrance Bank, S.S.B., Torrance, California, ("Torrance"), has executed the attached Stipulation and Consent to the Issuance of Order to Cease and Desist ("Stipulation" on December 5, , 1996; and

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

NOW, THEREFORE, IT IS ORDERED that:

Order to Cease & Desist

RICHARDSON shall cease and desist from any violation of, or aiding and abetting violations of any Federal banking law or regulation.

IT IS FURTHER ORDERED that:

1. Fiduciary Duties.

Whenever RICHARDSON is an Institution-Affiliated Party (as defined at Paragraph 8, herein) of a Banking Institution (as defined at Paragraph 8), he shall fulfill his fiduciary duties to such institution, including his fiduciary duties of loyalty, candor and care.

2. Conflicts of Interest.

At any and all times in which RICHARDSON serves as an Institution-Affiliated Party, he shall comply with the following:

(a) RICHARDSON shall, at all times, avoid placing himself in a position which creates, leads to, or could lead to, a conflict of interest or the appearance of a conflict of interest with the Banking Institution.

RICHARDSON shall, at all times, avoid placing his own personal interests above those of the Banking Institution.

(b) If, at any time, RICHARDSON is uncertain whether paragraph 2(a) is at issue, or if RICHARDSON is uncertain about his duties arising from paragraph 2(a), he shall obtain, at his own expense, the

written advice of Independent Counsel (as defined in Paragraph 8) regarding his duties and responsibilities. RICHARDSON shall abide by the written advice of Independent Counsel in such matter(s).

- (c) RICHARDSON shall provide the board of directors of the Banking Institution with a copy of the written advice he has obtained from counsel promptly after receipt and in no case later than five days following receipt of said written advice.

3. Abstentions.

When serving as an Institution-Affiliated Party, RICHARDSON shall abstain from voting on, and shall not participate in any manner in, consideration of any form of credit approval including loans, investments, or transactions submitted for the approval of the management or the board of directors of the Banking Institution that involve services to be rendered by:

- (a) any Affiliated Business (as defined in Paragraph 8), or
- (b) any entity in which RICHARDSON has a financial interest, directly or indirectly.

RICHARDSON shall cause such abstention to be specifically recorded in the Banking Institution's corporate records, including the board minutes. In addition, RICHARDSON shall fully disclose to the board of directors of the Banking Institution the reason for such abstention, including the nature of any conflict of interest, potential conflict of

interest, or appearance of conflict of interest, and shall cause such disclosure to be recorded in the Institution's corporate records.

4. Disclosure.

When serving as an Institution-Affiliated Party of a Banking Institution, RICHARDSON shall make full disclosure, on behalf of himself, any Affiliated Business, and his Immediate Family (collectively, the "Affiliate Group") to the board of directors regarding all loans, investments, partnership interests, stock ownership, and other business relationships between the Affiliate Group and persons or entities which are borrowers, depositors, board members, officers, and/or Institution-Affiliated Parties of the Institution. Such full disclosure shall be made promptly upon execution of this Order, and in no event later than fifteen (15) days following execution of the Order, and at least annually thereafter. Furthermore, RICHARDSON shall have a continuing obligation to update the disclosure promptly in the event of a change in circumstances, and in no event later than fifteen (15) days following the change in circumstances. RICHARDSON shall cause each such disclosure to be recorded in the Institution's corporate records.

5. Notice to Banking Institution.

Prior to accepting any position as an Institution-Affiliated Party, RICHARDSON shall provide a copy of the Order to

the chief executive officer and all directors of the Banking Institution with which RICHARDSON is to be affiliated.

6. Notice to Regulators.

Prior to accepting any position as an Institution-Affiliated party, RICHARDSON shall provide Notice to the OTS and any other Appropriate Federal Banking Agency (as defined in Paragraph 8) of his intention to accept a position in a Banking Institution. Such Notice shall include written certification by RICHARDSON that he has complied with Paragraph 5 of this Order.

7. Responses to Requests.

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

8. Definitions.

For purposes of this Order:

- (a) "Affiliate," as used in this Order, shall have the meaning set forth at 12 C.F.R. § 574.2(d);
- (b) "Affiliated Business" means any business in which:
  - (i) MICHAEL RICHARDSON and/or his Immediate Family (as defined in this paragraph) is a controlling owner, directly or indirectly,
  - (ii) MICHAEL RICHARDSON or his Immediate Family serves or acts as a director, officer, partner, or other similar management official, and/or
  - (iii) MICHAEL RICHARDSON or his Immediate Family

exercises control through a trust established by RICHARDSON or his Immediate Family, for RICHARDSON or his Immediate Family, or of which RICHARDSON or his Immediate Family serves as Trustee;

- (c) "Appropriate Federal Banking Agency," as used in this Order, shall have the meaning set forth at 12 U.S.C. § 1813(q);
- (d) "Banking Institution" refers to any and all of the following: any "insured depository institution" as that term is defined at 12 U.S.C. § 1813(c) (including but not limited to banks and savings associations); any direct or indirect subsidiary of an insured depository institution, whether wholly or partly owned; any "insured credit union" within the meaning of 12 U.S.C. § 1752(7); any "savings and loan holding company" within the meaning of 12 U.S.C. § 1467a(a)(1); any "bank holding company" within the meaning of 12 U.S.C. § 1841; and any direct or indirect subsidiary of any such holding companies, whether wholly or partly owned;
- (e) "Company," as used in this Order, shall have the meaning set forth at 12 C.F.R. § 574.2(f);
- (f) "Control" or "Controlled," as used in this Order, is defined at 12 C.F.R. § 574;

- (g) "Immediate Family," as used in this Order, shall have the meaning set forth at 12 C.F.R. § 574.2(j);
- (h) "Independent Counsel," means an attorney, licensed to practice law in the state where the Banking Institution does business, who is in no way affiliated with the Banking Institution, with RICHARDSON, his Immediate Family, or his Affiliates.
- (i) "Institution-Affiliated Party," as used in this Order, shall have the meaning set forth at 12 U.S.C. § 1813(u);
- (j) Any terms used herein that are defined in other paragraphs of this Order (including the Stipulation incorporated herein) shall have the meanings ascribed to them in such paragraphs; and
- (k) Except as otherwise expressly provided in this Order, any terms used herein that are defined in the Home Owners' Loan Act or the Federal Deposit Insurance Act shall have the meanings ascribed to them in said statutes. See, e.g., 12 U.S.C. § 1813.

9. Notice.

Any notice to the OTS required under this Order shall be provided to the following address:

Regional Director, West Region  
Office of Thrift Supervision  
One Montgomery Street, Suite 400  
San Francisco, CA 94104  
Facsimile No.: (415) 616-1752 or 1753

10. Stipulation.

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

11. Definitions.

All words or terms used in this Order or attached Stipulation for which meanings are not specified or otherwise provided for by the provisions of this Order, shall have meanings as defined in Chapter V of Title 12 of Code of Federal Regulations, the Home Owner's Loan Act, the Federal Deposit Insurance Act, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

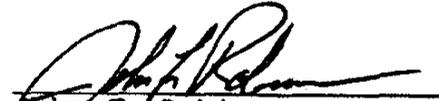
12. Effectiveness of Order.

This Order shall become effective on the date it is issued, as shown in the caption hereof. This Order shall remain in effect until it is terminated, modified, or suspended, which may occur only by formal written action of the OTS, acting by and

through its Director, Regional Director, or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By:



John F. Robinson  
Regional Director  
West Region

(richardsoncd.ord jsh/13/word)