

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Hancock Savings Bank, F.S.B.)
Los Angeles, CA (7806))

OTS Order No. SF-97-009

Dated: March 28, 1997

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

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Hancock Savings Bank, F.S.B., Los Angeles California ("Hancock"), OTS Docket No. 7806, pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b).¹

WHEREAS, Hancock desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding, it hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Hancock is 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, 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in

¹All references to the United State Code ("U.S.C.") are as amended.

NOW THEREFORE, IT IS ORDERED THAT:

I. CEASE AND DESIST PROVISIONS

Hancock and its directors, officers, employees and agents, shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding and abetting any unsafe or unsound practice or any violation of:

- A. Section 5(t) of the Home Owners' Loan Act, as amended ("HOLA"), 12 U.S.C. § 1464(t) et seq. (regarding capital requirements);
- B. Section 560.93 of the OTS Rules and Regulations, 12 C.F.R. § 560.93 (regarding lending limitations);
- C. Section 560.160 of the OTS Rules and Regulations, 12 C.F.R. § 560.160 (regarding classification of assets);
- D. Sections 560.170 and 563.170(c) of the OTS Rules and Regulations, 12 C.F.R. §§ 560.170 and 563.170(c) (regarding establishment and maintenance of records);
- E. Section 560.172 of the OTS Rules and Regulations, 12 C.F.R. § 560.172 (regarding re-evaluation of assets);
- F. Part 564 of the OTS Rules and Regulations, 12 C.F.R. Part 564 (regarding appraisals);
- G. Part 562 of the OTS Rules and Regulations, 12 C.F.R. Part 562 (regarding regulatory reporting requirements); and

3. Consent.

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

4. Finality.

The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director or his designee for the West Region, OTS, it shall be a final order, 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.

(a) Hancock waives its right to a written notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including 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.

(b) Hancock acknowledges and agrees that its consent to the entry of the Order is for the purpose of resolving this OTS enforcement matter only, in particular, the issues explicitly described in the 1996 Report of Examination for Hancock which commenced on August 12, 1996, and does not resolve, affect or preclude any other civil or criminal proceeding that may be or has been brought by the OTS or another governmental entity.

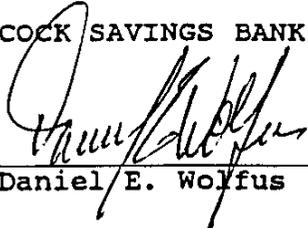
6. Signature of Directors.

Each Director signing this Stipulation and Consent to the Issuance of an Order to Cease and Desist attests that he or she voted in favor of a resolution authorizing the execution of this stipulation.

WHEREFORE, Hancock, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist, intending to be legally bound hereby.

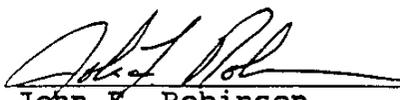
HANCOCK SAVINGS BANK, F.S.B.

By:



Daniel E. Wolfus

Accepted by:
OFFICE OF THRIFT SUPERVISION



John F. Robinson
Regional Director
West Region

Date: MARCH 28, 1997

Ezunial Burts

Joon Y. Koh, M.D.

Michael L. Noel

Eric D. Hovde

Richard L. Stever

(stip&con.hancock)

6. Signature of Directors.

Each Director signing this Stipulation and Consent to the Issuance of an Order to Cease and Desist attests that he or she voted in favor of a resolution authorizing the execution of this stipulation.

WHEREFORE, Hancock, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist, intending to be legally bound hereby.

HANCOCK SAVINGS BANK, F.S.B.

Accepted by:
OFFICE OF THRIFT SUPERVISION

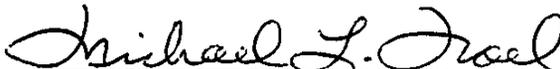
By: _____
Daniel E. Wolfus

John F. Robinson
Regional Director
West Region

Ezunial Burts

Date: _____

Joon Y. Koh, M.D.



Michael L. Noel

Eric D. Hovde

Richard L. Stever

(stip&con.hancock)

6. Signature of Directors.

Each Director signing this Stipulation and Consent to the Issuance of an Order to Cease and Desist attests that he or she voted in favor of a resolution authorizing the execution of this stipulation.

WHEREFORE, Hancock, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist, intending to be legally bound hereby.

HANCOCK SAVINGS BANK, F.S.B.

Accepted by:
OFFICE OF THRIFT SUPERVISION

By:

Daniel E. Wolfus

John F. Robinson
Regional Director
West Region

Ezunial Burts

Date: _____

Joon Y. Koh, M.D.

Michael L. Noel

Eric D. Hovde

Richard L. Stever

(stip&con.hancock)

6. Signature of Directors.

Each Director signing this Stipulation and Consent to the Issuance of an Order to Cease and Desist attests that he or she voted in favor of a resolution authorizing the execution of this stipulation.

WHEREFORE, Hancock, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist, intending to be legally bound hereby.

HANCOCK SAVINGS BANK, F.S.B.

Accepted by:
OFFICE OF THRIFT SUPERVISION

By: _____
Daniel E. Wolfus

John F. Robinson
Regional Director
West Region

Ezunial Burts

Date: _____

Joon Y. Koh, M.D.

Michael L. Noel

Eric D. Hovde



Richard L. Stever

(stip&con.hancock)

NOW THEREFORE, IT IS ORDERED THAT:

I. CEASE AND DESIST PROVISIONS

Hancock and its directors, officers, employees and agents, shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding and abetting any unsafe or unsound practice or any violation of:

- A. Section 5(t) of the Home Owners' Loan Act, as amended ("HOLA"), 12 U.S.C. § 1464(t) et seq. (regarding capital requirements);
- B. Section 560.93 of the OTS Rules and Regulations, 12 C.F.R. § 560.93 (regarding lending limitations);
- C. Section 560.160 of the OTS Rules and Regulations, 12 C.F.R. § 560.160 (regarding classification of assets);
- D. Sections 560.170 and 563.170(c) of the OTS Rules and Regulations, 12 C.F.R. §§ 560.170 and 563.170(c) (regarding establishment and maintenance of records);
- E. Section 560.172 of the OTS Rules and Regulations, 12 C.F.R. § 560.172 (regarding re-evaluation of assets);
- F. Part 564 of the OTS Rules and Regulations, 12 C.F.R. Part 564 (regarding appraisals);
- G. Part 562 of the OTS Rules and Regulations, 12 C.F.R. Part 562 (regarding regulatory reporting requirements); and

H. Section 563.43 of the OTS Rules and Regulations, 12 U.S.C. § 563.43 (regarding loans to insiders).

II. CORRECTIVE SAFETY AND SOUNDNESS PROVISIONS

A. Capital Requirements

1. The Institution shall raise capital in the amount of no less than \$3.0 million by securities issuance no later than June 30, 1997 which shall cause the Institution to achieve no less than a 10.0% total risk-based capital ratio, 6.0% Tier 1 (core) risk-based capital ratio and 5.0% leverage ratio (the "well-capitalized level") and maintain an added capital cushion to address asset quality deterioration.
2. The Institution shall provide to the OTS, no later than April 30, 1997, a commitment letter satisfactory to the OTS from an investment banking firm or investors providing for a transaction subject to OTS non-objection or approval to raise capital required by paragraph 1 above.
3. The Institution shall maintain the "well-capitalized level" for four quarters beginning June 30, 1997.

B. Merger or Acquisition

As an alternative to raising capital by securities issuance, the Institution may recapitalize by merging or being acquired prior to June 30, 1997. If the Institution selects this alternative, the Institution shall submit to the OTS a binding merger or acquisition agreement by April 30, 1997 and take the

appropriate steps to accomplish such a merger or acquisition.

C. Recapitalization Progress

1. On and after the Effective Date of this Order, the Institution and its Board of Directors shall at all times make diligent and good faith efforts to recapitalize in accordance with the provisions of this Order.
2. The Institution shall inform the OTS in writing of (i) all efforts and progress the Institution has made to recapitalize; and (ii) all expressions of interest by prospective investors, acquirors, or merger candidates, including those referred by the OTS or the Federal Deposit Insurance Corporation ("FDIC"). Such reports shall be submitted not later than the 15th and 30th day of each month, until otherwise notified by the OTS.
3. If the OTS, in its sole discretion, determines that the Institution is failing to make adequate progress towards complying with the requirements set forth in this paragraph, the OTS may take such further supervisory, enforcement or resolution action as it deems appropriate.

D. Business Plan

1. On or before May 31, 1997, and annually thereafter, at least thirty (30) days prior to the end of the Institution's fiscal year, the Institution shall develop and submit to the Assistant Regional Director ("ARD") for review and comment, a comprehensive Board-approved

three-year business plan (the "Business Plan").

2. The Institution shall consider the following in developing the Business Plan: (a) methods to reasonably increase profitability through cost-benefit analyses of current and potential investments; (b) potential cost reductions; and (c) effective management of risks, including interest rate risk.
3. The Business Plan shall specify the Institution's long term goals for the succeeding three years, conform to the "contents of the capital plan" guidelines contained in the OTS Thrift Bulletin 36a (March 8, 1990), and detail the Institution's operating strategy and financial assumptions.
4. The Business Plan shall include, among other things: (a) a description of the manner in which the Institution will increase its capital so as to achieve and maintain the "well-capitalized level"; (b) a discussion of short and long term goals and objectives; (c) profitability and risk analyses of any new, material activities proposed in the Business Plan; (d) plans and quarterly targets for improving core profitability and reducing non-performing and classified assets, including specific actions that the Board and management will take to achieve the quarterly targets; (e) a discussion of how the Institution intends to improve its cash management to achieve higher yields,

without inappropriate risk, including strategies for maintaining targeted liquidity levels and monitoring the yield and risk associated with current and alternative investments; (f) plans to improve efficiency and cost-effectiveness; (g) pro forma financial statements that reflect the proposed operating strategy of the Institution; and (h) a monthly budget formatted consistent with the Thrift Financial Report ("TFR") requirements.

E. Management Plan

On or before May 31, 1997, the Board shall develop and submit to the ARD for review and comment, a proposed management and staff plan ("Management Plan").

The Management Plan shall include: (a) a written analysis of the management and staffing structure necessary to correct the deficiencies noted in the 1996 Report of Examination commenced on August 12, 1996 (the "1996 ROE") and perform the activities proposed in the Business Plan in a safe and sound manner; (b) an enumeration of the responsibilities of each management position; (c) the qualifications of each person proposed to fill each management position; and (d) a requirement to provide annual written performance assessments of senior officers.

F. Board Oversight

1. On or before May 31, 1997, the Board shall develop and implement a plan to correct the Board oversight

deficiencies noted in the 1996 ROE ("Board Oversight Plan") and fulfill the responsibilities outlined in Section 310 of the Thrift Activities Handbook (section on board oversight) and the OTS Director Information Guidelines booklet (1989). Among other things, the Board shall: add at least two independent, experienced directors and enhance its oversight function over the loan, asset quality, audit, and asset and liability management committees to ensure that management corrects the deficiencies noted in the 1996 ROE and operates the Institution in a safe and sound manner and in conformance with Board approved policies and procedures.

2. Beginning on the Effective Date of this Order, the Board shall maintain complete and accurate minutes of all Board meetings and formal committee meetings. At a minimum, the meeting minutes shall state the information reviewed by the members and the deliberations of the various members. Minutes must be executed by the officer drafting the minutes and approved at the next regular meeting by the Board or committee. Further, within ten (10) days following each Board meeting, the Board shall provide the ARD with a complete package of all materials provided to its members for review prior to and during each meeting.

G. Internal Audit Plan

On or before May 31, 1997, and annually thereafter, at least thirty (30) days prior to the end of the Institution's fiscal year, the Institution shall develop and submit to the ARD for review and comment, a Board-approved internal audit plan ("Internal Audit Plan"). The Internal Audit Plan shall, at a minimum:

1. correct the deficiencies identified in the 1996 ROE, including insufficient personnel;
2. ensure the independence of the audit function;
3. enumerate the responsibilities of the audit function and all personnel in the audit function;
4. require an annual assessment of areas exposing the Institution to the greatest risks;
5. list each area the audit committee will review during the current audit cycle in an audit schedule approved by the Board, including the internal asset review function, asset/liability management function, the accounting department, the credit administration function and areas exposing the Institution to significant risk of loss including suspense accounts, accounts payable and receivable, investments, official checks and the corporate wire transactions;
6. require a timely written response and plan to correct all deficiencies noted in audit reports and other reports

relating to internal control issues that are made to the Board or its formal committees;

7. require that the minutes of audit committee meetings be comprehensive and include acknowledgment of receipt of audit reports, a discussion of audit report findings, and ratification of recommendations;
8. require the audit committee to report at least quarterly to the Board; and
9. require the Board to ensure prompt correction of any reported deficiencies.

H. Implementation of Plans

1. Upon submission of the Business Plan, Management Plan, Board Oversight Plan and Internal Audit Plan (collectively, the "Plans") required by this Agreement, the ARD shall review the Plans. Within 15 days of receiving notice of completion of the ARD's review of any Plan, the Institution shall implement that Plan.
2. If the ARD objects to any aspect, procedure, or act under any of the Plans submitted under the terms of this Agreement, upon receipt of written notice of such objection, the Institution will have 15 days to submit a revision of the affected Plan to the ARD.
3. Once the Plans are submitted pursuant to this Agreement and all objections from the ARD, if any, have been satisfactorily resolved, no Plans may be suspended or

revoked without the prior written notice to and the receipt of a nonobjection from the ARD.

4. The Institution shall adhere to the various Plans to be developed and implemented in accordance with this Agreement, and shall not materially deviate from such Plans without the prior written nonobjection of the ARD.

I. Discounting Purchase Money Loans.

The Institution shall discount purchase money loans consistent with generally accepted accounting principles ("GAAP") and Accounting Principles Board Opinion No. 21, including, obtaining and maintaining adequate documentation supporting: market interest rates; discount rates used; and discounts over the life of each discounted loan. The Institution shall also correct the deficiencies noted in the 1996 ROE relating to discounting purchase money loans.

J. Loan Sales With Recourse.

The Institution shall estimate, quarterly, the loss exposure associated with the portfolio of loans sold with recourse consistent with its policy, all applicable regulatory requirements and GAAP (unless inconsistent with regulatory requirements); and establish a liability account in accordance with GAAP to reflect the risk in the Institution's portfolio of loans sold with recourse.

K. Books and Records

The Institution shall correct all deficiencies identified in

the 1996 ROE that relate to books and records and shall maintain adequate, accurate books and records, including TFRs, in conformance with 12 C.F.R. §§ 562.1, 562.2 and 552.11.

III. MISCELLANEOUS

A. Director Responsibility

Notwithstanding the requirements of this Order that the Board submit various matters to the OTS for approval, nonobjection, notice of acceptability, or completion of review, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director, or his designee, as required by this Order.

B. Compliance with Agreement

1. The Board and officers of the Institution shall take immediate action to cause the Institution to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Order.
2. The Board shall authorize sufficient resources and allocate and maintain an adequate amount of experienced and qualified staff to fulfill the Institution's obligations under this Order.

3. No later than the last day of the month following the end of each calendar quarter, the Board shall review a written report by management as to the Institution's compliance with the Plans and this Order. Such report shall include a comparison of actual results against the projections made in the Business Plan, and if the actual results show a material variance from projections, the Institution shall provide an explanation for the variance and specifications as to the measures to be taken in regard to the variances. At the same time the Institution shall deliver to the ARD, a copy of a Board resolution duly certified by the Institution's corporate secretary ("Compliance Resolution"), which either:
 - a. states that to the Board's knowledge, and based on its review of the compliance reports provided by management, the Institution was in compliance with the Plans and this Order; or
 - b. indicates all known instances of noncompliance with the Plans or this Order and specifies the measures that have been or will be taken to cure such noncompliance.
4. The Board, by virtue of the Institution's submission of a certified true copy of each such Compliance Resolution to the ARD, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution,

except as provided below. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon; and (iii) the bases on which such director opposed or abstained from voting on the Compliance Resolution.

5. The Board shall promptly respond to any request from the OTS for documents that the OTS requests to demonstrate compliance with this Order.

C. Definitions

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the HOLA, Federal Deposit Insurance Act ("FDIA") or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in the Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage

in the savings and loan industry.

D. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions that have been made as of the Effective Date and references to successor provisions as they become applicable.

E. Notices

1. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted by this Order to be made upon, given or furnished to, delivered to, or filed with the OTS or the Institution shall be in writing and sent by, first class mail, overnight courier, or electronic transmission, or physically delivered, and addressed as follows:

Office of Thrift Supervision
West Regional Office
18300 Von Karman, Suite 800
Irvine, CA 92612

Hancock Savings Bank, F.S.B.
3550 Wilshire Boulevard
Suite 700
Los Angeles, CA 90010
Attn: Board of Directors

2. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice

was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

F. Duration, Termination of Suspension of Agreement

1. This Order shall: (i) become effective upon its execution by the OTS through its authorized representative whose signature appears below ("Effective Date"); and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director, or his designee.
2. The Regional Director, or his designee, in his sole discretion, may, by written notice, suspend or waive any or all provisions of this Order.
3. This Order terminates the Supervisory Agreement entered into between the OTS and the Institution dated October 4, 1994 ("Agreement"); however, nothing in this paragraph, in this Order or in connection with this Order shall prohibit the OTS from pursuing any action(s) or waive any rights of the OTS to pursue any such action(s) for the violation or noncompliance with any provision or requirements of the Agreement based upon actions or omissions committed during the term of the Agreement.

G. Time Limits

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

H. Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

I. Separability Clause

In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director, or his designee, in his sole discretion determines otherwise.

J. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Order shall be construed as: (i) allowing the Institution to violate any law, rule, regulation or policy statement to which it is subject or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

K. Successors in Interest/Benefit

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. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto, and the FDIC and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Order.

OFFICE OF THRIFT SUPERVISION

By: 
John F. Robinson
Regional Director
West Region

Date: March 28, 1997

(hancock&d.doc)