

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

In the Matter of
TOPA SAVINGS BANK, FSB
Los Angeles, California.

Re: Order No. SF-95-013

Date: May 15, 1995

STIPULATION AND CONSENT TO ENTRY 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 Topa Savings Bank, FSB, Los Angeles, California ("Topa" or the "Institution") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b).¹

WHEREAS, Topa desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Topa 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

¹All references to the U.S.C. are as amended.

the Home Owners' Loan Act, 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that engages in unsafe or unsound practices in conducting its business or violates a rule or regulation or any written agreement entered into with the agency.

(c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" to maintain an administrative proceeding against such a savings association. Therefore, Topa is subject to the authority and jurisdiction of the OTS to initiate and maintain a administrative proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. OTS Findings of Fact.

The OTS is of the opinion that Topa has:

(a) engaged in acts and practices that are considered to be unsafe and unsound by, among other things, incurring substantial losses for the fiscal years ended 1992, 1993 and 1994 due to a high-risk and poor performing asset portfolio and maintaining inadequate amounts of allowances for loan and lease losses relative to the Institution's high-risk asset portfolio; and

(b) violated the Supervisory Agreement entered into between the Institution and the OTS dated February 10, 1994 ("Supervisory

Agreement"), which constitutes a "written agreement" within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818, by failing to achieve certain capital levels by June 30, 1994 as set forth in the Supervisory Agreement.

3. Consent.

Topa 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.

Topa waives its right to a 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.

6. Other Actions, Proceedings and Policies

This Stipulation and Consent to Entry of an Order to Cease and Desist (the "Stipulation") and the accompanying Order are issued solely to settle this cease and desist action against Topa

arising out of engaging in unsafe and unsound practices and violating the Supervisory Agreement, as referred to above. By entering into this Stipulation, Topa acknowledges and agrees explicitly to the following provisions:

(a) Topa acknowledges and agrees that the consent to the entry of the Order and this cease and desist action do not resolve, affect or preclude any other civil or criminal proceeding which may be or has been brought by the OTS or another governmental entity, including, but not limited to, civil money penalties. By signing this document, Topa agrees that the issuance of the Order will not be asserted as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice, the OTS or any other governmental agency.

(b) This Stipulation and the Order do not release, discharge, settle, dismiss, resolve, or in any way affect any other actions, charges against, or liability of Topa that arise pursuant to this action or otherwise, and that may or have been brought by any other governmental entity.

(c) Topa acknowledges and agrees that the consent to the entry of the Order, or the execution of the Order by the OTS shall not be construed as an approval of any application or notices that are contemplated by Topa.

7. Signature of Directors.

Each director signing this Stipulation attests that she or he voted in favor of a resolution authorizing the execution of the Stipulation.

WHEREFORE, Topa, by a majority of its directors, executes this Stipulation, intending to be legally bound thereby.

TOPA SAVINGS BANK, FSB
by its directors

Accepted by:
Office of Thrift Supervision

John E. Anderson 7/25/95
Director Date

John F. Robinson
JOHN F. ROBINSON
Regional Director, West Region

Robert K. J. ...
Director Date

Paul ... 4-25-95
Director Date

Director Date

Director Date

(topastip.c&d /adw)

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly appointed and qualified Secretary of Topa Savings, FSB ("Topa Savings"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of Topa Savings was held on April 25, 1995;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Topa Savings Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of Topa Savings wishes to cooperate with the Office of Thrift Supervision (the "OTS") that said Board and Topa Savings have the intent to engage in safe and sound practices; and

WHEREAS, the Directors of Topa Savings have read and considered: (i) the Order to Cease and Desist (the "Order") and (ii) the Stipulation and Consent to the Entry of an Order to Cease and Desist (the "Stipulation") attached to the minutes of the this meeting of the board of Directors held April 25, 1995; and

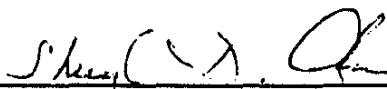
WHEREAS, after due consideration, the Directors of Topa Savings have determined to stipulate and consent to the issuance of the Order in the interest of regulatory compliance and cooperation;

NOW THEREFORE, BE IT RESOLVED, that the attached Stipulation, the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of Topa Savings.

FURTHER RESOLVED, that the Directors and Officers of Topa Savings are directed and authorized to take all necessary steps to implement immediately the terms of the Order and to comply, in all respects with such Order.

4. All members of the Board of Directors were present and voted at the meeting and all members of the Board of Directors voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Topa Savings on this 26th day of April, 1995.



Sheryl D. Azlin, Secretary

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

In the Matter of Topa Savings Bank, FSB Los Angeles, California.)))))))	Re: Order No. SF-95-013 Date: May 15, 1995
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ORDER TO CEASE AND DESIST

WHEREAS, Topa Savings Bank, FSB, Los Angeles, California, ("Topa" or the "Institution"), OTS Docket Number 7898, by and through its board of directors ("Board"), has executed a Stipulation and Consent to the Entry of an Order to Cease and Desist ("Stipulation"); and

WHEREAS, Topa, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b).¹

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where Topa has consented to the issuance of the Order.

NOW, THEREFORE, IT IS ORDERED THAT:

¹All references to the U.S.C. are as amended.

I. CORRECTIVE PROVISIONS

A. Reduction of Non-Performing Assets Relative to Capital.

The Institution shall reduce its ratio of non-performing assets to Tangible Capital (as such terms are defined in 12 C.F.R. Part 567) plus the allowance for loan and lease losses and general valuation allowances to less than: 100 percent by June 30, 1995; 88 percent by September 30, 1995; 75 percent by December 31, 1995; and 50 percent by March 31, 1996. The Institution shall achieve these ratios by either the reduction of non-performing assets or the infusion of capital. "Non-performing assets" mean: (i) real estate owned ("REO"); (ii) any asset which is in-substance REO; (iii) any asset wherein the Institution has taken a deed in lieu of foreclosure; (iv) assets ninety (90) days delinquent; or (v) any asset on a non-accrual status.

B. Reduction of Classified Assets Relative to Capital.

The Institution shall reduce its ratio of Classified Assets to Tangible Capital plus the allowance for loan and lease losses and general valuation allowances to less than: 150 percent by June 30, 1995; 125 percent by September 30, 1995; 100 percent by December 31, 1995; and 75 percent by March 31, 1996. The Institution shall achieve these ratios by either the resolution of Classified Assets or the infusion of capital. "Classified Assets" means assets which are, or should be, classified under 12 C.F.R. § 563.160 and Section 260 of the Thrift Activities Handbook.

C. Engagement of an Investment Banking Firm.

If the Institution does not meet any one of the ratios by the dates in paragraphs A or B, above, then:

(1) no later than 30 days after the quarter-end date when the Institution first fails to meet such requirement, the Institution shall engage an investment banking firm to market the Institution. The investment banking firm shall be subject to OTS approval under Thrift Bulletin 50; and,

(2) the Institution shall sign a definitive agreement to sell the Institution not later than 90 days after executing the engagement contract with the investment banking firm.

D. Separate Corporate Existence.

The Institution shall ensure that, at a minimum, a majority of the members of the Institution's Board are not affiliated or in any way associated with Topa Thrift and Loan and that the Institution's senior management is separate and independent from the senior management of Topa Thrift. However, the Institution and Topa Thrift may utilize common internal audit, savings, compliance, and human resources departments for internal operations and processing. Any official act, communication, or conduct by the Institution or Topa Thrift or their management shall be in a manner that unequivocally demonstrates to the public and their employees the distinct and separate corporate existence and responsibilities of the entities.

E. Allowance for Loan and Lease Losses and General Valuation Allowances.

The Institution shall adopt an allowance for loan and lease losses ("ALLL") methodology ("ALLL methodology") to ensure that an adequate ALLL level is maintained in accordance with Section 261 of the Thrift Activities Regulatory Handbook. The ALLL methodology shall provide, among other things, that the Institution maintain an allowance for "Pass" and "Special Mention" assets in addition to the allowance for "Substandard" and "Doubtful" assets. In addition, the Institution's ALLL plus general valuation allowance on REO ("GVA on REO") shall not be less than \$7.5 million as of March 31, 1995, or thereafter without the prior written approval of the Regional Director.

II. BOARD OF DIRECTORS

A. Director Responsibility.

Notwithstanding the requirements of this Order, this Order does not derogate or supplant each individual member's continuing fiduciary duty. The Board of Directors ("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 as required by this Order.

B. Compliance with Order.

(i) 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.

(ii) The Board, on a quarterly basis, shall adopt a Board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall: (1) specify in detail how, if at all, full compliance was found not to exist, and (2) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

(iii) The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (1) the identity of each director voting in favor of its adoption; and (2) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

(iv) No later than the 25th calendar day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the effective date of this Order, the Institution shall provide to the Regional Director a certified true copy of the Compliance Resolution(s) adopted at the Board meeting. The Board, by virtue of the

Institution's submission of a certified true copy of each such Compliance Resolution to the Regional Director, 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.

III. MISCELLANEOUS

A. Definitions.

All technical words or terms used in this Order for which meaning 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, Home Owners' Loan Act ("HOLA"), FDIA or OTS Memoranda. Any such technical words or terms used in this Order and undefined in said 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.

B. 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 as have been made as of the effective date of this Order and references to successor provisions as they become applicable.

C. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document (collectively "Notices") 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 mailed, first class or overnight courier, or by means of electronic transmission, or physically delivered, and addressed as follows:

Office of Thrift Supervision
West Regional Office
18300 Von Karman, Ste. 800
Irvine, CA 92715

Topa Savings Bank, FSB
1800 Avenue of the Stars
Suite 1200
Los Angeles, CA 90067
Attn: Board of Directors

Any Notice shall be deemed duly given when received by the addressee thereof. Any party to this Agreement may from time to time change its address for receiving Notices by giving written notice thereof to the other party in the manner set forth above.

D. Duration, Termination or Suspension of Order.

(i) This Order shall: (1) become effective upon its execution by the OTS ("Effective Date"), through its authorized representative whose signature appears below and (2) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director of the Regional Director (including any authorized designee thereof).

(ii) The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Order.

E. Time Limits.

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

F. Effect of Headings.

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

G. 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 in his sole discretion determines otherwise.

H. Other Enforcement Documents.

The Supervisory Agreement dated February 10, 1994 between the Institution and the OTS is superseded as of the Effective Date of this Order.

I. 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 or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

J. 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, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation 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

(topaord.c&d /adw)