

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

PALM BEACH FEDERAL SAVINGS BANK
Palm Beach Gardens, Florida

Resolution No.: ATL-92-88
Dated: December 4, 1992

STIPULATION AND CONSENT TO THE ENTRY OF A
CEASE AND DESIST ORDER

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Southeast Region ("Regional Director") and Palm Beach Federal Savings Bank, Palm Beach Gardens, Florida ("Palm Beach Federal" the "Institution"), OTS Docket Number 08042, stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Palm Beach Federal, pursuant to §8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. §1818(b) (West 1989 & Supp. 1992). ~~The OTS has reasonable cause to believe that Palm Beach Federal has engaged, or is about to engage, in unsafe and unsound practices with respect to the demand deposits of, and the lending relationships with, Housing Mortgage Corporation, and the controlling shareholders of Palm Beach Federal and Housing Mortgage Corporation, John Avradinis and Amarjit Bhalla.~~

Palm Beach Federal desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings. Without admitting or denying that such grounds exist, Palm Beach Federal hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceeding against it with respect to, and for so long as Palm Beach Federal is in compliance with, the provisions covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction

(a) Palm Beach Federal is a "savings association" within the meaning of §3(b) of the FDIA, 12 U.S.C.A. §1813(b) (West 1989 and Supp. 1992), and §2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. §1462(4) (West Supp. 1992). It is an "insured depository institution" as that term is defined in §3(c) of the FDIA, 12 U.S.C.A. §1813(c).

(b) Pursuant to §3(q)(4) of the FDIA, 12 U.S.C.A. §1813(q)(4), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Palm Beach Federal is subject to the authority of the OTS to initiate and maintain cease and desist proceedings against it pursuant to §8(b) of the FDIA, 12 U.S.C.A. §1818(b).

3. Consent. Palm Beach Federal consents to the issuance by the OTS of the accompanying 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 §8(b) of the FDIA, 12 U.S.C.A. §1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of §8(i) of the FDIA, 12 U.S.C.A. §1818(i).

5. Waivers. Palm Beach Federal waives its right to a notice of charges and the administrative hearing provided by §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 §8(h) of the FDIA, 12 U.S.C. §1818(h), or otherwise to challenge the validity of the Order. Palm Beach Federal acknowledges that the Order is a temporary corrective action and does not preclude the OTS from taking any other actions deemed necessary to address matters covered or not covered by this Order.

WHEREFORE, in consideration of the foregoing and intending to be legally bound hereby, the OTS, by and through its Regional Director, and Palm Beach Federal execute this Stipulation and Consent to the Entry of a Cease and Desist Order.

Palm Beach Federal Savings Bank
C&D (12/92)
Page 3 of 3

legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Order shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his/her designee.

THE OFFICE OF THRIFT SUPERVISION

By: _____ /s/
John E. Ryan
Regional Director
Southeast Regional Office

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ORDER TO CEASE AND DESIST

WHEREAS, Palm Beach Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket Number 08042 ("Palm Beach Federal" or the "Institution"), has executed a Stipulation and Consent to the Entry of a Cease and Desist Order ("Stipulation"), which Stipulation is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Region ("Regional Director"); and

WHEREAS, Palm Beach Federal, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order"), pursuant to §8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. §1818(b) (West 1989 & Supp. 1992).

NOW THEREFORE, IT IS ORDERED that Palm Beach Federal, its subsidiaries and institution-affiliated parties shall cease and desist from any:

1. contact, whether written or oral, with its controlling shareholders and directors, John Avradinis ("Avradinis") and Amarjit Bhalla ("Bhalla"), or their attorneys, agents, or other representatives, without the prior written approval of Regional Director, concerning the management or operation of Palm Beach Federal; or

2. any such contact that would constitute an attempt by Avradinis or Bhalla, their attorneys, agents or other representatives, to exercise control over, or to participate in the affairs of, Palm Beach Federal.

IT IS FURTHER ORDERED THAT:

3. Paragraphs 1 and 2 notwithstanding, Avradinis and Bhalla may, through their designated counsel of record in any litigation involving their ownership or participation in the affairs of Palm Beach Federal, may contact officials of, or designated counsel for, Palm Beach Federal, in regard to matters reasonably required for Avradinis and Bhalla to conduct litigation. ^{or regula-}
_{tory me}

4. Palm Beach Federal shall take all necessary and appropriate steps to recover any amounts owed to it by Housing Mortgage Corporation, Avradinis, Bhalla, and any other affiliate of Palm Beach Federal, and to protect the assets of the Institution from dissipation. Further, Palm Beach Federal shall not, without the prior written approval of the Regional Director, remit funds or other assets to Avradinis or Bhalla for any purpose.

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. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Order, references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda, and publications.

Any time limitations imposed herein shall begin to run from the date this Order is executed except as otherwise specifically stated in this Order. Such time limitations may be extended by the Regional Director or his/her designee, in the sole discretion of the Regional Director or the designee, for good cause shown upon written application.

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. It is understood that the execution of this Order shall not be construed as an approval of any application or notice that is contemplated or has been filed by Palm Beach. In the event any provision of this Order shall be declared invalid, illegal, or unenforceable, the validity,

Palm Beach Federal Savings Bank
C&D (12/92)
Page 3 of 3

legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Order shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his/her designee.

THE OFFICE OF THRIFT SUPERVISION

By: _____

/s/

John E. Ryan
Regional Director
Southeast Regional Office