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UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of HomeFed Bank, Federal Savings Bank, San Diego, California	Re: Resolution No. SF-91-041 Dated: October 3, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the West Region, and HomeFed Bank, Federal Savings Bank, San Diego, California, ("HomeFed"), stipulate and agree as follows:

1. Grounds. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against HomeFed pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"). The OTS is also of the opinion that HomeFed is severely undercapitalized and must immediately take aggressive action to increase its capital. Further, the OTS has determined that certain of the employment contracts of HomeFed or provisions of these contracts are "employment contracts" within the meaning of 12 C.F.R. § 563.39 and constituted an unsafe and unsound practice at the time they were executed and should be terminated. HomeFed desires to address the concerns of the OTS regarding any capital deficiencies and unsafe

or unsound practices regarding employment contracts and to avoid the time and expense of administrative litigation. Without admitting or denying that such grounds exist, HomeFed hereby stipulates and agrees to the following.

2. Jurisdiction.

(a) HomeFed is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (12 U.S.C. § 1813(c)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, HomeFed is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(b)).

3. Consent. HomeFed consents to the issuance by the OTS of the 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, as amended by FIRREA (12 U.S.C. § 1818(b)). Upon its issuance by the Regional Director for the West Region, it shall be a final order, effective and fully enforceable by the OTS under the

provisions of Section 8(i) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(i)).

5. Waivers. HomeFed waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(b)), and the notice and other procedural requirements relating to the imposition of an individual minimum capital requirement set forth in 12 C.F.R. § 567.3. It further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (12 U.S.C. § 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the West Region, and HomeFed, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

By: /S/
Michael Patriarca
Regional Director
West Region

HOMEFED BANK, FEDERAL SAVINGS BANK

By: A Majority of Its Directors

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In the Matter of HomeFed Bank, Federal Savings Bank, San Diego, California	)	Re: Resolution No. SF-91-041 Dated: October 3, 1991

ORDER TO CEASE AND DESIST

WHEREAS, HomeFed Bank, Federal Savings Bank, San Diego, California ("HomeFed" or "Bank"), through its board of directors ("Board"), has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the West Region ("Regional Director"); and

WHEREAS, HomeFed, 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, as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (12 U.S.C. § 1818(b)).

NOW THEREFORE, IT IS ORDERED that HomeFed and its directors, officers, employees, agents and service corporations shall cease and desist from the following unsafe and unsound practices:

(a) operating with an inadequate management and board of directors;

(b) payment and/or receipt of excessive compensation and retirement benefits pursuant to "employment contracts" within the meaning of 12 C.F.R. § 563.39, or otherwise;

(c) operating with inadequate capital and reserves in relation to the volume and quality of assets held;

(d) operating with an excessive amount of classified and high risk assets;

(e) failing to maintain an adequate general valuation allowance methodology;

(f) failing to maintain an adequate system with respect to internal asset review; and

(g) failing to maintain a written program for each problem asset.

IT IS FURTHER ORDERED that HomeFed shall also take the following affirmative action to ameliorate these deficiencies:

1. Management and Board of Directors. HomeFed shall have and retain a qualified management and board of directors that are acceptable to the OTS.

(a) Each member of management and the board of directors shall have qualifications and experience commensurate with his or her duties at the Bank. The Board shall provide management with appropriate written authority to implement the provisions of this Order.

(b) The qualifications of management and the Board shall be assessed by the OTS on its ability to:

i) comply with the requirements of this Order;

ii) operate HomeFed in a safe and sound manner;

iii) comply with applicable laws and regulations;

iv) restore all aspects of HomeFed to a safe and sound condition;

v) correct all deficiencies stated in this Order.

(c) HomeFed shall submit a plan for the reorganization of its Board of Directors ("Director Plan"). Such plan shall have among its goals the strengthening and enhancement of the Board by the addition of independent, outside directors having experience with and knowledge of large financial institutions. The Director Plan shall specify that the Board shall be comprised of no less than 7 members, the majority of which shall be unaffiliated with the Bank. The Director Plan shall contain (i) an organizational chart of the proposed Board and its auxiliary committees (if any); (ii) a description of the responsibilities of the members of the Board and its committees; and (iii) the identities and qualifications of the proposed new directors. The Director Plan shall also identify actions that may be necessary or appropriate to implement the Director Plan, including the addition of independent outside directors.

(d) Additionally, HomeFed shall notify the Regional Director in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer, as required by Section 914 of FIRREA (12 U.S.C. § 1831i). The notification must be received at least 30 days before such addition or employment is intended to become effective.

(e) HomeFed may not add any individual to its Board or employ any individual as a senior executive officer if the Regional Director issues a notice of disapproval pursuant to Section 914 of FIRREA (12 U.S.C. § 1831i).

2. Compensation and Benefits. HomeFed shall not, commencing as of the date of this Order, pay excessive compensation or benefits to its directors, officers, agents, employees or former employees (including its retirees) and shall take appropriate corrective action where overpayments are indicated. Further, HomeFed shall:

(a) Terminate all of its existing employment contracts, severance agreements, retention plans, bonus plans and unfunded supplemental retirement plans that were executed on or after December 31, 1990, the date the institution failed to meet its minimum regulatory capital requirements, whether or not such contract is or was dated "as of" a date which preceded such capital failure, except as follows:

i) any contract that was entered into with an individual director, officer or employee with the express consent of the OTS after HomeFed failed its minimum regulatory capital requirements. Within 10 days of the date of this Order, HomeFed shall indicate the name and position of any person that it contends was hired with the consent of OTS, and if it agrees, then such contract shall be deemed exempt from the provisions of this paragraph (a)(1); and

ii) any "at will" employment agreement that meets the requirements specified in (c) below, and which OTS concludes is not otherwise unsafe and unsound.

(b) Not make any severance payments (except as provided in (d) below) or bonus payments (except as provided in (e) below) pursuant to any existing employment contracts, severance agreements, retention plans, bonus plans or unfunded supplemental retirement plans that were executed before December 31, 1990, unless approved in writing by OTS upon application by HomeFed. In addition, any provisions of these agreements that provide for any automatic renewal or extension shall be terminated by HomeFed.

(c) Not enter into any written or oral employment agreement that is unsafe or unsound. Among other things, any employment agreement that is entered into shall not, without the consent of OTS:

i) provide for employment on a basis that is other than "at will".

ii) be inconsistent with the severance pay policy currently in effect for all employees not covered by a written contract.

iii) contain any automatic renewal provisions.

(d) Not make any severance payment to any officer, director or employee that is in excess of the amount that is payable under HomeFed's existing severance pay policy for employees who are terminated for reasons other than cause, to-wit: Two (2) weeks' salary plus one (1) week's salary for each completed year of service with the institution. However, no severance payment shall be in excess of 6 month's base salary.

(e) Not pay bonuses in excess of two weeks salary per year to any employee unless it is:

i) based upon the performance of the individual employee;

ii) approved by the institution's Board of Directors; and

iii) has received a statement of written non-objection from OTS.

The OTS has determined that the employment contracts, severance agreements, retention plans, bonus plans and unfunded supplemental retirement plans of HomeFed constitute employment contracts within the meaning of the OTS' regulations at 12 C.F.R. § 563.39. In addition, the OTS has found that certain of these contracts or provisions of these contracts constituted an unsafe and unsound practice at the time they were executed and should be terminated. These findings are as follows:

i) the employment contracts, severance agreements, retention plans, bonus plans and unfunded supplemental retirement plans executed on or after December 31, 1990 (a period during which HomeFed failed to meet its minimum regulatory capital requirements) were an unsafe and unsound practice in that they constitute a material financial loss to HomeFed and interfere materially with the exercise by the members of the board of directors of HomeFed of their duties as to employment or termination of an employee(s) by having, among other things, an excessive term and providing for excessive severance benefits.

ii) those provisions of the employment contracts, severance agreements, retention plans, bonus plans and unfunded supplemental retirement plans executed before December 31, 1990, and which provide for payments in excess of those permitted by (d) and (e) above and/or automatic renewal or extension were an unsafe and unsound practice in that they constitute a material financial loss to HomeFed and interfere with the exercise by the members of the board of directors of HomeFed of their duties as to employment or termination of an employee by providing for excessive terms, severance benefits, retirement pay and/or bonuses.

3. Capital. Unless an extension is granted in writing by OTS, HomeFed shall be required to achieve the following capital requirements by March 31, 1992. In addition to the tangible capital

requirements which are set forth in 12 C.F.R. § 567.2, HomeFed shall be required to achieve a core capital ratio of 4.0 percent of adjusted total assets and a risk-based capital ratio of 8.0 percent, after giving effect to all applicable phase-outs and exclusions from capital applicable at that time. Risk-weighted assets shall be calculated according to the standard method described in the Thrift Financial Report instructions, except as follows:

(a) All non-performing assets (REO, loans past due more than 90 days, and non-accrual loans) that currently are assigned a 200 percent risk weight shall henceforth be risk-weighted at 300 percent.

(b) All construction and land loans that are not non-performing shall henceforth be risk-weighted at 200 percent.

4. Capital Plan. Within 60 days of the date of this Order, HomeFed shall prepare and submit a Capital Plan to the OTS demonstrating how it will meet its capital requirements by March 31, 1992.

5. Reserves. HomeFed shall not operate with an inadequate level of reserves in relation to the volume and quality of assets held. Within 45 days of the date of this Order, HomeFed shall take such action as may be required to confirm to the OTS that its level of specific and general valuation allowances are adequate to cover any reasonably foreseeable losses.

6. General Valuation Allowances ("GVAs"). HomeFed shall maintain an adequate level of GVAs at all times. To this end, HomeFed shall prepare and submit to the OTS, within 45 days, a new

GVA methodology outlining how it intends to determine an appropriate level of GVAs and how it will ensure that an adequate amount of GVAs is continually maintained.

7. Internal Asset Review. HomeFed shall ensure that its assets are accurately classified and categorized in all applicable reports to its Board, the OTS and the public. HomeFed shall improve its internal asset review system by undertaking an analysis of its current system. With respect to deficiencies noted, a plan to correct the deficiencies shall be prepared and submitted to the OTS. Among other things, the plan shall specify procedures and modify reporting relationships to promote and enhance the independence of the credit review function.

8. Problem Assets. Within 60 days from the effective date of this Order, the board of directors of Homefed shall adopt and implement a written program for each problem asset. Subsequent to the effective date of this Order, within 30 days after any asset becomes a problem asset, the board of directors of HomeFed shall adopt and implement a written program for each such problem asset. For the purposes of this Order, a "problem asset" means any asset (including unfunded commitments) which exceeds $500,000 and:

(a) has been adversely classified or listed for Special Mention by the OTS as a result of its examination of the Bank as of December 10, 1990 or is adversely classified or listed for Special Mention by either the FDIC or the OTS as a result of any subsequent examination of HomeFed; or

(b) has been accorded a sub-investment quality rating and/or has been designated a work-out or watch list asset, or some equivalent designation, as the result of an internal asset review and rating procedure performed by HomeFed or by another party on behalf of HomeFed; or

(c) is past due in excess of 120 days and/or has been placed in either a non-accrual or non-earning status by HomeFed; or

(d) has been partially charged-off.

Such program shall include, at a minimum, an assessment of the status of each problem asset, the proposed action to eliminate the cause or causes of assets being a problem asset, and the time frame for its accomplishment.

9. Submission of Plans to the OTS. Any plans required to be prepared under this Order shall be submitted to the OTS, for its review and nonobjection, within 45 days from the date of this Order. If the OTS indicates its written approval of or nonobjection to any plan submitted, such plan shall be incorporated into and included as a part of this Order and HomeFed shall be required to adhere to any such plan as though it were fully set forth herein. For the purposes of this Order, the programs to be prepared pursuant to paragraph 8

hereof shall not be deemed a plan and shall not be subject to prior review or nonobjection by the OTS.

THE OFFICE OF THRIFT SUPERVISION

By: /S/

Michael Patriarca
Regional Director
West Region