

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

ALAN W. KING,)

Former Senior Vice President of)

First Annapolis Savings Bank)
Annapolis, Maryland)
_____)

Resolution No. ATL-93-10
Dated: February 9, 1993

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

The Office of Thrift Supervision ("the OTS"), by and through its Regional Director for the Southeast Region ("Regional Director") and Alan W. King, former Senior Vice President of First Annapolis Savings Bank, Annapolis, Maryland ("First Annapolis" or "Institution"), 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 proceeding against Alan W. King pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(b) (West 1989 & Supp. 1992). The grounds include unsafe and unsound practices in conducting the business of First Annapolis, as follows:

(a) Alan W. King was responsible for investments, asset/liability management, and for the execution of the futures and options trading on behalf of First Annapolis.

(b) Alan W. King failed to administer the futures and options program in a safe and sound manner in that the hedging strategies and trading programs initiated, directed and supervised by Alan W. King were poorly conceived, executed and administered.

(c) Alan W. King's proposed investment policy regarding the Institution's largest hedge position was inadequate and in violation of 12 C.F.R. §§ 563.175(d) and 563.174(b) and (d), and resulted in losses to First Annapolis totaling almost \$17 million.

(d) The documentation for several of the hedging programs was inadequate and not well developed.

(e) As a result, the Institution reported \$35.2 million in net deferred losses resulting from financial futures and options trading as a hedge.

Alan W. King 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 in consideration of the forbearance by the OTS from initiating such administrative proceeding against Alan W. King with respect to the matters covered in the accompanying Cease and Desist Order ("Order").

2. Jurisdiction

(a) At all times relevant hereto, First Annapolis was a "savings association" within the meaning of Section 3(b), of the FDIA, 12 U.S.C.A. § 1813(b), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. 1992). It was an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.A. § 1813(c).

(b) At all times relevant hereto, Alan W. King, as a Senior Vice President of First Annapolis was an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C.A. § 1813(u).

(c) Pursuant to Section 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 or its institution-affiliated parties. Therefore, Alan W. King is subject to the authority of the OTS to initiate and maintain an administrative proceeding against him pursuant to Section 8(b) of the FDIA, 12 U.S.C.A. § 1818(b).

3. Consent. Alan W. King consents to the issuance by the OTS of the accompanying 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.

4. Finality. The Order is issued under Section 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 Section 8(i) of the FDIA, 12 U.S.C.A. § 1818(i).

5. Waivers. Alan W. King waives his right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C.A. § 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.A. § 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 Southeast Region, and Alan W. King execute this Stipulation and Consent to the Entry of a Cease and Desist Order.

OFFICE OF THRIFT SUPERVISION

By: John E. Ryan /S/ Alan W. King
Regional Director
Southeast Region

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In the Matter of)

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First Annapolis Savings Bank)
Annapolis, Maryland)

RESOLUTION NO.: ATL-93-10

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ORDER TO CEASE AND DESIST

WHEREAS, Alan W. King has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation"), which 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 Regional Office ("Regional Director"); and

WHEREAS, Alan W. King, in the Stipulation, without admitting or denying that the grounds exist, 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.A. § 1818(b) (West 1989 & Supp. 1992).

NOW THEREFORE, it is ordered that Alan W. King shall cease and desist from any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. § 563.173;
2. 12 C.F.R. § 563.174; and
3. 12 C.F.R. § 563.175;

IT IS FURTHER ORDERED THAT:

4. Alan W. King shall not engage or participate, in any manner, in the management of funds or investments in connection with financial futures transactions or financial options transactions, as those terms are now defined, or from time to time amended, by federal statute or regulation, at any federally-insured depository institution without the prior written approval of the Regional Director.

5. Alan W. King may not hold any office in, or participate in any manner in the conduct of the affairs of any institution(s) or other entity as set forth below without the prior written approval of the Regional Director for the Southeast Region and, if required by law or regulation, any other Federal financial institutions regulatory agency:

- (a) any insured depository institution;
- (b) any institution treated as an insured bank under 12 U.S.C.A. §§ 1818(b)(3) or (b)(4);
- (c) any insured credit union under the Federal Credit Union Act, 12 U.S.C.A. § 1781 et seq.;
- (d) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C.A. § 2001 et seq.;
- (e) any appropriate Federal depository

institution regulatory agency;

- (f) the Federal Housing Finance Board and any Federal Home loan bank;
- (g) the Resolution Trust Corporation; and
- (h) any subsidiary of any entity included in paragraph 4(a), (b), (c), or (d).

Conduct considered to be "participating in the conduct of the affairs of any institution" and thereby prohibited by this Order includes, but is not limited to, the solicitation, transfer or exercise of any voting rights with respect to any securities issued by any insured depository institution.

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

7. This Order shall become effective on the date it is issued.

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 documents.

Alan W. King
C&D Order (December 1992)
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THE OFFICE OF THRIFT SUPERVISION

By: John E. Ryan
Regional Director
Southeast Regional Office