

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In the Matter of:)

KENT GRUSENDORF, Controlling)
Shareholder, Former Director,)
and Chairman of the Board of)
First Savings Bank, A)
Federal Savings Bank,)
Arlington, Texas)

Resolution No.: DAL-93-10

Dated: May 14, 1993

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 Midwest Regional Office of OTS, Dallas, Texas, and Kent Grusendorf ("Respondent"), Controlling Shareholder, Former Director, and Chairman of the Board of First Savings Bank, A Federal Savings Bank, Arlington, Texas ("First Savings Bank"), stipulate and agree as follows:

1. CONSIDERATION

The 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 the Respondent pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.S. § 1818(b).¹ Respondent desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting

1. All references in the Stipulation and Consent and the Order to Cease and Desist to the United States Code Service are as amended.

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 cease-and-desist litigation against Respondent with respect to the matters described as follows:

- (a) During Grusendorf's tenure as a member of the board of directors and while a controlling stockholder, First Savings Bank was caused to enter into a lease renewal without prior approval by the OTS (or its predecessor, the Federal Home Loan Bank of Dallas), with Arlington Savings Bank Joint Venture in which Grusendorf acquired up to a 33.3% interest. This transaction was deemed to be in violation of 12 C.F.R. § 563.41(b) (1990), contrary to safe and sound practices, and in breach of fiduciary duty to First Savings Bank.
- (b) During Grusendorf's tenure as a member of the board of directors and while a controlling stockholder, First Savings Bank was caused to service the debt of affiliated persons of First Savings Bank, which debt was secured by the stock of Arlington Savings Bankshares, Inc., holding company of First Savings Bank. This series of transactions was deemed to be in violation of 12 C.F.R. § 563.170(c) (1990), 12 U.S.C. § 1468, 12 C.F.R. § 215.4 (1990), contrary to safe and sound practices, and in breach of fiduciary

duty to First Savings Bank.

- (c) During Grusendorf's tenure as a member of the board of directors and while a controlling stockholder, First Savings Bank was caused to make an inappropriate severance payment of \$145,000 to former president Rick Powell. This transaction was deemed to be in violation of 12 C.F.R. §§ 563.161(a) and 571.7 (1990), contrary to safe and sound practices, and in breach of fiduciary duty to First Savings Bank.

2. JURISDICTION

- (a) First Savings Bank is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C.S. § 1813(b), and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C.S. § 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.S. § 1813(c).
- (b) Pursuant to Section 3(q) of the FDIA, 12 U.S.C.S. § 1818(q), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such Respondent.
- (c) Respondent at all times relevant to the allegations set forth herein was an institution-affiliated party of First Savings Bank as defined in Section 3(u) of the FDIA, 12 U.S.C.S. § 1813(u) in that he is a controlling shareholder and served as a director of First Savings Bank.

Therefore, Respondent is subject to the authority of the OTS to initiate and maintain a cease-and-desist proceeding against him pursuant to Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b).

3. CONSENT

Respondent consents to the issuance by the OTS of the Order and 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.S. § 1818(b). Upon its issuance by the Regional Director for the Midwest Regional Office, OTS, Dallas, Texas, 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.S. § 1818(i).

5. WAIVERS

Respondent waives the following legal rights:

- (a) The right to be served with a written notice of the OTS's charges against him (see Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b);
- (b) The right to an administrative hearing of the OTS's charges against him (see Section 8(b) of the FDIA, 12 U.S.C.S. § 1818(b); and
- (c) The right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C.S. § 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 Midwest Regional Office, OTS, Dallas, Texas, and Kent Grusendorf execute this Stipulation and Consent to the Entry of a Cease and Desist Order.

OFFICE OF THRIPT SUPERVISION

KENT GRUSENDORF

BY: /S/
Frederick R. Casteel
Regional Director
Midwest Regional Office
Dallas, Texas

BY: /S/
Kent Grusendorf

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ORDER TO CEASE AND DESIST

WHEREAS, Kent Grusendorf ("Grusendorf") has executed a Stipulation and Consent to the Entry of a Cease and Desist Order, 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 Midwest Regional Office; and

WHEREAS, Grusendorf, 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.S. § 1818(b); and

WHEREAS, pursuant to Order to Cease and Desist issued on October 13, 1992, by OTS Resolution No. DAL-92-70, Grusendorf consented and agreed to make restitution in the amount of eight thousand, five hundred twenty-five dollars (\$8,525) to First Savings Bank, A Federal Savings Bank ("First Savings Bank"), Arlington, Texas; and

WHEREAS, Grusendorf has partially complied with said Order to Cease and Desist dated October 13, 1992, by making restitution payments to First Savings Bank totaling \$5,000; and

WHEREAS, pursuant to the requirements of said Order to Cease and Desist dated October 13, 1992, Grusendorf shall continue to make the restitution payments until the entire amount of \$8,525 is paid in full;

