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UNITED STATES OF AMERICA  
BEFORE THE  
OFFICE OF THRIFT SUPERVISION

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In the Matter of: )  
 )  
WILLIAM PAUL DAVIS, JR., )  
a former director of )  
Texas Heritage Savings )  
Association/Banc )  
of Rowlett, Texas )  
\_\_\_\_\_ )

Re: Resolution No. DAL-91-175

Date: October 25, 1991

STIPULATION AND CONSENT TO  
ISSUANCE OF ORDER OF PROHIBITION

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office, and William Paul Davis, Jr., (hereafter referred to as "Davis"), a former director of Texas Heritage Savings Association/Banc, Rowlett, Texas (the "Institution"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that the grounds exist to initiate an administrative prohibition proceeding against Davis pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), 12 U.S.C. § 1818(e). Davis desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Without admitting or denying

that grounds for such a proceeding exist, Davis hereby stipulates and agrees to entry of the Order of Prohibition in consideration of: (a) the forbearance of OTS from initiating such administrative prohibition litigation against Davis, (b) the agreement by the OTS to refrain from seeking the issuance of additional enforcement orders against Davis with respect to any matters known to the OTS as of the date of issuance of the attached Order of Prohibition ("Order"), and (c) the agreement by OTS to refrain from taking any adverse action against Davis in the future based upon the allegations set out in paragraph 2(i) hereof.

2. Jurisdiction.

(a) The Institution at all times relevant to the allegations set forth herein, was a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act of 1933, as amended by Section 301 of FIRREA, 12 U.S.C. § 1462(4). Accordingly, it was 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) Until August 9, 1989, the accounts of the Institution were insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") pursuant to Section 403(b) of the National Housing Act of 1934 ("NHA"), 12 U.S.C. § 1726(b), by reason of which it was an "insured institution" within the meaning of the NHA.

(c) As of August 9, 1989, pursuant to the provisions of FIRREA, the insurance of the accounts of the Institution was transferred to the Federal Deposit Insurance Corporation.

(d) Until August 9, 1989, the Federal Home Loan Bank Board ("FHLBB"), as operating head of the FSLIC, was the regulatory agency with jurisdiction over the Institution and its directors and officers, including Watson, pursuant to Sections 403 and 407 of the NHA, 12 U.S.C. §§ 1726 and 1730.

(e) As of August 9, 1989, pursuant to Section 3(q) of the FDIA, as amended by Section 204 of the FIRREA, 12 U.S.C. § 1813(q), the OTS succeeded to the interests of the FHLBB with respect to the supervision and regulation of all savings associations, and thus became the "appropriate Federal banking agency" with jurisdiction over the Institution and persons participating in the conduct of the affairs thereof.

(f) The Director of the OTS has the authority to bring an administrative prohibition proceeding against Davis, pursuant to Section 5(d)(1)(A) of the HOLA, as amended by Section 301 of the FIRREA, 12 U.S.C. § 1464(d)(1)(A), and Section 8 of the FDIA, as amended by the FIRREA, 12 U.S.C. § 1818.

(g) Davis was a director of the Institution from 1984 until he resigned in 1990. Therefore, Davis was at all times relevant to the allegations set forth herein, a director of the Institution, and as such is an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, as amended by

FIRREA, 12 U.S.C. § 1813(u).

(h) As an institution-affiliated party, Davis is subject to the OTS's authority to maintain prohibition proceedings.

(i) OTS is of the opinion of the existence of the following facts and their legal effect as hereafter stated in this subparagraph (i): While still a director of the Institution, Davis made an offer in March, 1990, to purchase personally a certain parcel of real estate. Said offer was made the day after the Board of Directors of the Institution had adopted a resolution for the Institution to make a specific offer to purchase the same real estate at a directors' meeting at which Davis was present and voted in favor of the Institution's offer. Said personal offer of Davis was made without the prior knowledge or consent of the Board of Directors of the Institution. Said personal offer by Davis to purchase said real estate was in violation of 12 C.F.R. § 571.7 and the Institution's internal policy regarding conflicts of interest, was an unsafe and unsound practice, and constituted a breach of Davis' fiduciary duty as a director to the Institution. By reason of said violation, practice, or breach as previously stated, the Institution was damaged by affecting its subsequent ability to negotiate the purchase of the real estate for use as an Institution branch facility or to have the existence of pending negotiations by the Institution to purchase the real estate assist in negotiating favorable lease terms for the Institution's then-existing office building. Such violation, practice or breach as previously stated

demonstrated willful or continuing disregard by Davis for the safety or soundness of the Institution or involved personal dishonesty by Davis.

3. Consent. Without admitting or denying the need or basis therefor, Davis consents to the issuance by the OTS of the accompanying Order. He further agrees to comply with its terms upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(e) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(e). Upon its issuance by the Regional Director for the Midwest Regional Office, 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. Davis waives his right to a notice of intention to prohibit and the administrative hearing provided by Section 8(e) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(e), and further waives his 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.



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Re: Resolution No. DAL-91-175

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ORDER OF PROHIBITION

WHEREAS, William Paul Davis, Jr. (hereafter referred to as "Davis") has executed a Stipulation and Consent to Issuance of Order of Prohibition ("Stipulation"), which is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Regional Director for the Midwest Regional Office; and

WHEREAS, without admitting or denying the grounds therefor, Davis has consented and agreed in the Stipulation to the issuance of this Order of Prohibition ("Order"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), 12 U.S.C. § 1818(e) (1988 and Supp. I 1989);

NOW THEREFORE, IT IS ORDERED that:

1. Davis is prohibited from further participation, in any manner, in the conduct of the affairs of Texas Heritage Savings Association/Banc, Rowlett, Texas and its service corporations.

2. Without the prior written approval of the Regional Director for the Midwest Regional Office of the OTS and, if appropriate, another federal regulatory agency for financial institutions, Davis may not act as a director for, 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 in Section 8(e)(7)(A) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(e)(7)(A), hereinafter referred to as a "Covered Institution." Pursuant to Section 8(e)(6) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1818(e)(6), conduct prohibited by this Order includes, inter alia, the solicitation, the transfer or the exercise of any voting rights with respect to any securities issued by any insured depository institution.

3. Nothing in this Order, however, prohibits Davis from the following activities, even though such activities may involve or relate to a Covered Institution:

(a) being a customer, as a depositor or borrower, provided that such activity may not be performed in a manner that would make Davis an "institution-affiliated party" as that term is defined at Section 3(u) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1813(u); or

(b) owning stock in a Covered Institution.

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

