

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION

In the Matter of  
WILLIAM R. KRUEGER  
A Former Director  
of First Federal Savings  
Bank, Hempstead, Texas  
and  
First Savings Association,  
Brenham, Texas

Resolution No. DAL-91-189

Dated: October 31, 1991

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 in Dallas, Texas ("Regional Director"), and William R. Krueger ("Krueger"), a former Director of First Federal Savings Bank, Hempstead, Texas, ("First Federal"), and First Savings Association, Brenham, Texas ("First Savings") agree as follows:

1. CONSIDERATION.

The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease-and-desist proceeding against Krueger pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA") 12 U.S.C. §1818(b) (1988 & Supp. I 1989), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"). Krueger desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in considera-

tion of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Krueger.

2. JURISDICTION.

- (a) First Federal and First Savings at all times relevant to the allegations set forth herein were each deemed a "savings association" within the meaning of Section 3(b) of the FDIA as amended by FIRREA (to be codified at 12 U.S.C. § 1813(b) and Section 2(4) of the Home Owners' Loan Act of 1933, 12 U.S.C. § 1462(4) (Supp. I 1989). Accordingly, each is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(c)).
- (b) Pursuant to Section 3(q) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(Q)), the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such savings associations.
- (c) Krueger was at all times relevant to the allegations set forth herein an institution-affiliated party of First Federal and First Savings under Section 3(u) of the FDIA, as amended by FIRREA (to be codified at 12

U.S.C. § 1813(u)) in that he served as a director of First Federal from May 26, 1988 to September 14, 1990, and as a director of First Savings from May 26, 1988 to September, 1989.

The OTS alleges that contrary to safe and sound practices Krueger, as a member of the board of directors of First Federal, failed to establish adequate internal controls at First Federal, the failure of which led to:

- (i) the assistance payments made by the Federal Savings and Loan Insurance Corporation to First Federal in the amount of \$106,134 being entered into the books of First Savings and accordingly, First Savings had the benefit of such payments for its own accounts; and
- (ii) a receivable in the amount of \$535,627 being established in the books of First Federal which receivable represented an audit adjustment to reflect that a mortgage-backed security transferred from First Savings to First Federal, as required by the assistance agreement, was the wrong mortgage-backed security, resulting in the shortage of \$535,627 to First Federal.

(d) Therefore, the OTS believes that Krueger 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. § 1818(b) (1988 & Supp. I 1989).

3. CONSENT.

Krueger consents to the issuance by the OTS of the 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. § 1818(b) (1988 & Supp. I 1989). 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(1) of the FDIA, 12 U.S.C. § 1818(1) (1988 & Supp. I 1989).

5. WAIVERS.

Krueger waives his right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989), 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. § 1818(h) (1988 & Supp. I 1989), or otherwise to challenge the validity of the Order.

Stipulation and Consent to The Entry  
of A Cease and Desist Order  
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WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director and Krueger execute this Stipulation and Consent to The Entry of A Cease and Desist Order.

OFFICE OF THRIFT SUPERVISION

By:                     /S/                      
Billy C. Wood  
Regional Director  
Midwest Region  
Dallas, Texas

                    /S/                      
William R. Krueger

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION

In the Matter of )  
)  
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WILLIAM R. KRUEGER )  
Former Director )  
of First Federal Savings Bank )  
Hempstead, Texas, and )  
First Savings Bank, )  
Brenham, Texas )

Resolution No. DAL-91-189

Dated: October 31, 1991

ORDER TO CEASE AND DESIST

WHEREAS, William R. Krueger ("Krueger") 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 Region ("Regional Director") in Dallas, Texas, and

WHEREAS, Krueger 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. § 1818(b) (1988 & Supp. I 1989) as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA").

NOW THEREFORE, IT IS ORDERED that:

1. Krueger shall cease and desist from any unsafe or unsound practice as an institution-affiliated party within the meaning of Section 3(u) of the FDIA, as amended by FIRREA, (to be codified at 12 U.S.C. § 1818(u)).
2. Krueger shall cease and desist from further participation, in any manner, in the conduct of the affairs of First Federal Savings

Bank, Hempstead, Texas ("First Federal") and First Savings Bank, Brenham, Texas ("First Savings").

3. (a) In settlement of all OTS claims arising out of Krueger's role as a director of First Federal and/or First Savings, Krueger agrees to make restitution of \$1,200 received from First Savings during the relevant time period, for his service as a director at First Savings.  
  
(b) Krueger shall comply with Paragraph 3(a) by sending to the OTS, Dallas Office, a certified check for \$1,200.00 made payable to First Savings Association, Brenham, Texas, by October 31, 1991.
4. Without the prior written approval of the Regional Director and, if appropriate, another Federal financial institutions regulatory agency, Krueger may not hold any office in, serve as a director for, or participate in any manner in the conduct of the affairs of any institution(s) or other entity as set forth in Section 8 of the FDIA, 12 U.S.C. § 1818 (1988 & Supp. I 1989), hereinafter referred to as a "Covered Institution". Conduct prohibited by this Order includes, inter alia, the solicitation, transfer or exercise of any voting rights with respect to any securities issued by any insured depository institution.
5. If approval is obtained from the Regional Director or, where appropriate, another Federal financial institutions regulatory agency, Krueger, upon becoming a director, officer, or controlling person of a Federally insured depository institution, or any holding company thereof, shall obtain advice of competent

counsel on his duties and responsibilities, both initially upon accepting such a position and when particular issues arise that may cause Krueger to be uncertain about his responsibilities.

6. Nothing in this Order, however, restricts Krueger from any of the following activities, even though such activities may involve or relate to a Covered Institution:

- a. entering into a contract with a Covered Institution for earth removal services;
- b. being a customer, depositor, or borrower of a Covered Institution;
- c. owning stock, but less than a controlling interest as defined in Section 7(j) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1817(j)) and 12 C.F.R. § 574.4, in a Covered Institution;

Provided, however, that such activities may not be performed in a manner that would make Krueger an "institution-affiliated party" as that term is defined at Section 3(u) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(u)).

OFFICE OF THRIFT SUPERVISION

/S/

By:

Billy C. Wood  
Regional Director  
Midwest Region  
Dallas, Texas