

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Snyder Savings and Loan)
Association)
Snyder, Texas)

Re: Resolution No.: DAL-91-223

Dated: December 5, 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 of OTS, Dallas, Texas, and Snyder Savings and Loan Association, Snyder, Texas ("Snyder"), stipulate and 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 Snyder 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"). Snyder 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 consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Snyder with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. JURISDICTION.

(a) Snyder is a "savings association" within the meaning of Section 3(b) of the FDIA (to be codified at 12 U.S.C. § 1813(b)) and Section 2(4) of the Home Owners' Loan Act, as amended by FIRREA, 12 U.S.C. 1462(4) (Supp. I 1989). Accordingly, it 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 a savings association.

Therefore, Snyder 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, 12 U.S.C. § 1818(b) (1988 & Supp. I 1989).

3. CONSENT.

(a) Snyder 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.

(b) Snyder acknowledges that with respect to the provisions in Paragraph 4 of the Order, the OTS retains its authority to pursue whatever additional enforcement action it deems appropriate against any responsible institution-affiliated parties to seek restitution/indemnification on Snyder's behalf.

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of
Snyder Savings and Loan
Association
Snyder, Texas

Re: Resolution No.: DAL-91-223

Dated: December 5, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Snyder Savings and Loan Association, Snyder, Texas ("Institution"), through its directors, 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 Midwest Regional Office in Dallas Texas; and

WHEREAS, the Institution, 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, 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 the Institution and its directors, officers, employees, agents and service corporations shall cease and desist from any violation of: 12 C.F.R. §§ 563.43, 563.161(a), 571.7; Section 11(a) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1468 (Supp I. 1989); and Section 22(h) of the Federal Reserve Act ("FRA"), 12 U.S.C. § 375b, and its implementing regulation at 12 C.F.R § 215.7.

IT IS FURTHER ORDERED that:

CONFLICTS OF INTEREST AND AFFILIATED PERSONS TRANSACTIONS

1. (a) The Board of Directors shall review and familiarize themselves

with the following regulatory and statutory provisions: 12 C.F.R. §§ 563.40-43; OTS Statements of Policy set forth at 12 C.F.R. §§ 571.7 and 571.9; Section 11(a) of the HOLA, 12 U.S.C. § 1468 (Supp I. 1989); Section 22(h) of the Federal Reserve Act, 12 U.S.C. § 375b, and its implementing regulations, 12 C.F.R. §§ 215.4 and 215.7; and Sections 23A and 23B of the FRA, 12 U.S.C. §§ 371c and 371c-1, respectively; as well as the Institution's Conflict of Interest Guidelines on Standards of Responsibility and Conduct and Business Ethics which were formally adopted by the Board of Directors on December 18, 1990, and subsequently revised and approved on March 19, 1991.

- (b) The Institution shall cease and desist from any transactions with affiliated persons which are not in compliance with all applicable laws and regulations referenced in Paragraph 1(a) of this Order.
- (c) Within 45 days of the effective date of this Order, the Board of Directors shall develop and implement a system to monitor compliance with the Institution's Conflict of Interest Guidelines on a continuing basis. Such system shall provide for the Institution to submit a report to the Board of Directors and to the Regional Deputy Director no later than the last day of every quarter, listing all loans to Affiliated Persons and Affiliates as defined in 12 C.F.R. § 561.5 and Section 23A of the FRA, 12 U.S.C. § 371c, noting the name of the borrower, the loan number, the loan date, renewal date if applicable, original balance, current balance, interest rate, current status, a description of

the collateral, summary of the terms of the loan, and in the case of transactions other than loans, such as purchases and sales of assets or service contracts, all information significant to the transaction, but not including deposits to withdrawable accounts at the Institution.

- (d) All financial transactions and obligations between the Institution and any officer, director, employee, or shareholder of the Institution must be in writing and with terms commensurate to those granted to other customers of the Institution.

POLICIES AND PROCEDURES

2. (a) Within 60 days of the effective date of this Order, the Board of Directors shall formulate and/or revise the Institution's written policies and procedures to ensure that policies required by the regulations governing the Institution's operations, and procedures to implement those policies are in place and provide adequate guidance and internal controls. At a minimum, those policies and procedures should address:

- (i) underwriting standards and practices to be used by the Institution for all commitments and loans made and participations purchased ("Underwriting Standards"). These Underwriting Standards shall outline objectives and lending philosophies of the Institution, and shall include the following:

- (A) a requirement that prior to making or purchasing, or committing to make or purchase any loan, other extension of credit, or investment, the Institution

must have obtained, as appropriate, each of the items listed in 12 C.F.R. § 563.170(c);

(B) a delineation of lending authority for the Board of Directors, officers and committees;

(C) acceptable minimum and maximum loan amounts, borrower credit criteria, and loan to value ratios; and

(D) a method of monitoring and ensuring compliance with applicable regulations, including but not limited to those in 12 C.F.R. §§ 563.93 and 563.170;

(ii) asset classification and establishment of allowance for losses pursuant to the provisions of 12 C.F.R. §§ 563.160 and 571.26. The policy shall provide for a review of the valuation allowances by the Board of Directors at least once each calendar quarter. Any deficiency in the valuation allowances shall be corrected in the quarter it is discovered, prior to the filing of the Thrift Financial Reports, by making additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the board of directors in determining the adequacy of the valuation allowances. The policy shall take into consideration, at a minimum, the following factors:

- (A) results of the Institution's internal loan review;
- (B) loan loss experience;
- (C) an estimate of potential loss exposure on each significant credit;
- (D) concentrations of credit in the Institution;
- (E) trends of delinquent and non-accrual loans; and
- (F) present and prospective economic conditions.

CORPORATE MINUTES

3. The Board of Directors shall maintain in the minutes of each Board of Directors' meeting a detailed, comprehensive record of all business transactions and discussions in accordance with 12 C.F.R. § 563.170(c).

INDEPENDENT COUNSEL'S REVIEW

4. (a) Within 30 days from the effective date of this Order, the Board of Directors shall submit to the Regional Deputy Director for review a revised plan of action which addresses the recommendations proposed in the February 12, 1991, independent review performed by the law firm of Baker, Glast & Middleton of the transactions between the Institution and the Kayo Corporation, George Lambert, Bruce Kallemeyn, and Rex Robinson.
- (b) The revised plan shall, at a minimum, detail the steps the Board of Directors proposes to take to recover the full amount of any loss to the Institution resulting from the transactions involving Kayo Corporation, George Lambert, Bruce Kallemeyn, and Rex

Robinson and which shall include current efforts to pursue restitution from the parties as deemed appropriate.

GENERAL PROVISIONS

5. The Board shall take whatever steps are necessary to ensure full compliance by the Institution with the requirements of this Order.
6. 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 Code of Federal Regulations, and 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.
7. Any request for modification of this Order must be submitted in writing to the Regional Director or his designee and the Regional Director may, in writing, at his sole discretion, modify or suspend the requirements of this Order.
8. Upon execution of this Order, the Supervisory Agreement, entered into by the Institution and the OTS on July 26, 1990, shall be terminated.

THE OFFICE OF THRIFT SUPERVISION

By: _____ /S/
Billy C. Wood
Regional Director
Midwest Regional Office