UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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| In the Matter of:<br><br>R. H. STEPHENS, Former Director and Institution-Affiliated Party of:<br><br>First Federal Savings and Loan Association, Las Vegas, New Mexico | RE: OTS ORDER NO. DAL-94-04<br><br>DATED: March 17, 1994 |

STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office ("Regional Director"), and R. H. Stephens ("STEPHENS"), former director and institution-affiliated party of First Federal Savings and Loan Association, Las Vegas, New Mexico ("FIRST FEDERAL" or the "INSTITUTION"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based on information reported to it, is of the opinion that grounds exist to initiate administrative proceedings against STEPHENS pursuant to Sections 8(b) and (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.A. §§ 1818(b) and (e) (West 1989 and Supp. IV 1992). STEPHENS desires to cooperate with

the OTS and to avoid the time and expense of such administrative litigation. Without admitting or denying the statements, conclusions and opinions of the OTS, except those contained in Paragraph 2 below which are admitted, STEPHENS hereby stipulates and agrees to the terms of this STIPULATION AND CONSENT ("Stipulation") and to the issuance of the attached ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF ("Orders"), in consideration of the agreement of the OTS to forbear from initiating any other civil or administrative proceeding against STEPHENS arising out of STEPHENS' actions, known or discovered by the OTS relating to First Federal and its subsidiaries. This STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF ("Consent") and the Orders do not constitute admissions by STEPHENS that his actions, as described herein, meet the definitions contained in Section 523(a)(11) of the U.S. Bankruptcy Code, 11 U.S.C. § 523(a)(11); provided however, that nothing herein is intended to or shall preclude the OTS from making such claim in any subsequent bankruptcy proceeding in which STEPHENS contends that his obligation to pay any restitution pursuant to the Consent and Orders is subject to discharge.

The OTS, based on available evidence and testimony, has determined that it is appropriate and in the best interest of the public to execute this Stipulation and the attached Orders.

This Stipulation and the Orders do not compromise, settle, dismiss, resolve, or in any way affect any civil actions, charges against, or liability of STEPHENS that may be or have been brought by any governmental entity other than the OTS.

2. Jurisdiction.

(a) FIRST FEDERAL was a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C.A. § 1813(b) (West 1989 & Supp. IV 1992), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. IV 1992). Accordingly, 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), as amended.

(b) Until August 9, 1989, the Federal Home Loan Bank Board ("FHLBB") was the regulatory agency with jurisdiction over FIRST FEDERAL and persons participating in the conduct of the affairs thereof, including STEPHENS, pursuant to Section 5 of the HOLA, 12 U.S.C.A. § 1464.

(c) As of August 9, 1989, pursuant to Section 3(q) of the FDIA, as amended by Section 204 of FIRREA, 12 U.S.C.A. § 1813(q), the OTS succeeded to the interests of the FHLBB with respect to the supervision and regulation of all savings associations.

(d) At all times relevant hereto, STEPHENS was a director and person participating in the conduct of the affairs of FIRST FEDERAL and an institution-affiliated party of FIRST FEDERAL, as defined at 12 U.S.C.A. § 1813(u), having served in such

capacities within the six (6) years prior to the date of this Stipulation.

(e) Pursuant to Section 3 of the FDIA, as amended, the OTS is the "appropriate Federal banking agency" to maintain prohibition and cease and desist for affirmative relief proceedings against institution-affiliated parties of FIRST FEDERAL. Therefore, STEPHENS is subject to the authority of the OTS to initiate and maintain such proceedings against him, pursuant to Sections 8(b) and (e) of the FDIA, 12 U.S.C.A. §§ 1818(b) and (e).

3. Consent. STEPHENS consents to the issuance by the OTS of the Orders, a copy of which is attached hereto. STEPHENS further agrees to comply with the terms of the Orders upon issuance and stipulates that the Orders comply with all the requirements of law.

4. Finality. The Orders are issued under Sections 8(b) and (e) of the FDIA, 12 U.S.C.A. §§ 1818(b) and (e). Upon issuance, they shall be final orders, effective and fully enforceable by the OTS or its successor under the provisions of Section 8(i) of the FDIA, 12 U.S.C.A. § 1818(i), and subject to the provisions of Section 8(j) of the FDIA, 12 U.S.C.A. § 1818(j).

5. Waivers.

(a) STEPHENS waives his right to the administrative hearing provided by Sections 8(b) and (e) of the FDIA, 12 U.S.C.A. §§ 1818(b) and (e), and further waives any right to seek judicial review of the Orders, 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 Orders.

(b) STEPHENS waives any claim for attorney's fees or expenses under the Equal Access to Justice Act, 5 U.S.C.A. § 504.

**WHEREFORE**, in consideration of the foregoing, the OTS, by and through its Midwest Regional Director, and STEPHENS execute this Stipulation.

OFFICE OF THRIFT SUPERVISION

By: /s/
Frederick R. Casteel
Midwest Regional Director

Date: 3-17-94

/s/
R. H. Stephens

Date: 2-10-94

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**ACKNOWLEDGMENT:**

State of New Mexico )
County of San Miguel )

On this 10th day of February, 1994, before me the undersigned notary public, personally appeared R. H. Stephens and acknowledged his execution of the foregoing STIPULATION TO ISSUANCE OF AN ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF.

Mary Cristina
Notary Public

My Commission expires:
7-10-97

UNITED STATES OF AMERICA
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| In the Matter of:<br><br>R. H. STEPHENS, Former Director and Institution-Affiliated Party of:<br><br>First Federal Savings and Loan Association, Las Vegas, New Mexico | OTS ORDER No. DAL-94-04<br><br>DATED: March 17, 1994 |

## ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation pursuant to OTS Resolution No. DAL-91-116, dated August 21, 1991, concerning First Federal Savings and Loan Association, Las Vegas, New Mexico ("FIRST FEDERAL") and, as a result of that investigation has concluded that:

(a) From and after January 20, 1987, R. H. Stephens ("STEPHENS"), a director of FIRST FEDERAL, knew that the OTS considered Michael L. Gregory, James P. Sappington, Jr., and their related business interests to be "one borrower" as defined by the loans-to-one borrower regulation (then set forth at 12 C.F.R. § 563.9-3(a)(1)). STEPHENS did not object to the Institution's continued lending to these borrowers, and did not analyze the applicable regulation and its applicability to the Institution's continued lending to these borrowers; nor did STEPHENS seek

independent legal advice in order: (i) to correct existing regulatory violations, and (ii) to prevent the Institution from making further loans in violation of applicable regulations;

(b) From and after January 20, 1987, STEPHENS approved and/or ratified at least sixteen (16) loans to Michael L. Gregory, James P. Sappington, Jr. and their related business interests, resulting in a total principal amount outstanding to these borrowers on May 28, 1989 of $3,489,237.81, an amount that exceeded the legal limit by $1,388,248.81;

(c) FIRST FEDERAL has suffered or probably will suffer significant loss on the loans described above; and

**WHEREAS,** STEPHENS has executed a STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the OTS, acting by and through its Midwest Regional Director ("Regional Director"); and

**WHEREAS,** without admitting or denying the statements, conclusions, and opinions of the OTS contained herein, STEPHENS has consented and agreed in the Stipulation to the issuance of this ORDER OF PROHIBITION AND ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF ("Orders"); and

**WHEREAS,** the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue orders of prohibition and orders to cease and desist where the respondent has consented to the issuance of the orders;

NOW THEREFORE, THE OTS ORDERS AS FOLLOWS:

ORDER OF PROHIBITION

1. STEPHENS is prohibited from further participation, in any manner, in the conduct of the affairs of FIRST FEDERAL or any of its subsidiaries.

2. Without the prior written approval of the OTS or its successor and, if appropriate, another federal financial institution's regulatory agency, STEPHENS 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 in Section 8(e)(7)(A) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(e)(7)(A) (West 1989 and Supp. IV 1992). Pursuant to Section 8(e)(6) of the FDIA, 12 U.S.C.A. § 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.

ORDER TO CEASE AND DESIST
FOR AFFIRMATIVE RELIEF

3. From and after the date of issuance of this Order, STEPHENS shall be individually obligated to make restitution to the Resolution Trust Corporation ("RTC") or its successor, as receiver for FIRST FEDERAL, in the amount of $65,500, without interest.

4. In satisfaction of the obligation specified above, STEPHENS shall make payments to the OTS or its successor in accordance with the following schedule:

| Amount | Date Payment Due |
|---|---|
| $10,917 | Date of Execution |
| $10,917 | March 31, 1994 |
| $10,917 | June 30, 1994 |
| $10,917 | September 30, 1994 |
| $10,916 | December 31, 1994 |
| $10,916 | March 31, 1995 |

The full remaining balance of the obligation specified in Paragraph 3 of this Order shall become immediately due and payable upon STEPHENS' failure to make any payment specified above within twenty (20) days after the date required by Paragraph 4 of this Order.

5. STEPHENS' obligation to make restitution pursuant to this Order is his sole and separate obligation and will not be reduced by payments made by or on behalf of STEPHENS to an entity other than the OTS or its successor. Further, STEPHENS' obligation hereunder will not be reduced by or subject to an offset as a result of any payment to the OTS or its successor made by or on behalf of any other person or entity pursuant to such person's or entity's separate obligation(s) to the OTS or its successor.

6. All payments that are required by this Order shall be made by certified or cashier's check payable to the Resolution Trust Corporation as Receiver for FIRST FEDERAL, and delivered to:

Midwest Regional Director
Office of Thrift Supervision
122 West John Carpenter Freeway
P. O. Box 619027
Irving, Texas 75039

## GENERAL PROVISIONS

7. All words or terms used in these Orders, for which meanings are not specified or otherwise provided for by the provisions of these Orders, shall have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act, FDIA and FIRREA.

8. These Orders shall become effective on the date of issuance by the Midwest Regional Director of the OTS, and shall remain in effect until modified by agreement between the OTS or its successor and STEPHENS, or terminated by the OTS or its successor.

OFFICE OF THRIFT SUPERVISION

BY: /s/
Frede[illegible] [illegible] Casteel
Midwest Regional Director

Date: 3-17-94