

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
DOUGLAS C. FRUGE)
Former President and Chairman)
of the Board of Directors of)
)
The Federal Savings Bank of)
Evangeline Parish)
Ville Platte, Louisiana)

Re: No. DAL-94-11

Dated: April 26, 1994

ORDER OF PROHIBITION

WHEREAS, Douglas C. Fruge has executed a Stipulation and Consent to Entry of an Order of Prohibition ("Stipulation"); and

WHEREAS, Douglas C. Fruge, by his execution of the Stipulation, has consented and agreed to the issuance of this Order of Prohibition ("Order"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e).

NOW THEREFORE, IT IS ORDERED that:

1. Douglas C. Fruge is prohibited from further participation, in any manner, in the conduct of the affairs of The Federal Savings Bank of Evangeline Parish, Ville Platte, Louisiana ("the Association") and any holding company, subsidiary, and/or service corporation thereof.
2. Douglas C. Fruge may not hold any office in, or participate in any manner in the conduct of the affairs of any Federally regulated depository institution or the other entities that are described in Section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A), without the prior written approval of the OTS (acting through its Director or an authorized representative

thereof) and, the "appropriate Federal banking agency" for the Federally regulated depository institution which is involved. Due to the operation of Section 8(e)(6) of the FDIA, 12 U.S.C. § 1818(e)(6) conduct prohibited by this Order, without the said prior written approval of the OTS and of the "appropriate Federal banking agency", also includes, without limitation: (1) the solicitation, procuring, transfer, attempt to transfer, vote, or the attempt to vote, any proxy, consent, or authorization with respect to any voting rights in any institution described in Section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A); and (2) voting for a director, or serving or acting as an institution-affiliated party.

3. The Stipulation is made a part hereof and is incorporated herein by this reference.
4. This Order is subject to the provisions of Section 8(j) of the FDIA, 12 U.S.C. § 1818(j), and shall become effective on the date it is issued, as shown in the caption above.
5. From the effective date of this Order, Douglas C. Fruge shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

THE OFFICE OF THRIFT SUPERVISION

By:

/s/

Frederick R. Casteel
Regional Director
Midwest Regional Office

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Re: No. DAL-94-11
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STIPULATION AND CONSENT TO
ENTRY OF AN ORDER OF PROHIBITION

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that the grounds exist to initiate an administrative prohibition proceeding against Douglas C. Fruge, former President and Chairman of the Board of Directors of The Federal Savings Bank of Evangeline Parish, Ville Platte, Louisiana, OTS No. 7606 ("the Association"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e)¹; and

WHEREAS, Douglas C. Fruge desires to cooperate with the OTS to avoid the time and expense of such administrative proceeding and, for the purpose of this settlement only, without admitting or denying the factual findings and conclusions reached by the OTS or that such grounds exist, for the aforesaid administrative proceeding, hereby stipulates and agrees to the following terms:

1. JURISDICTION

- (a) The Association is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4)

1. All references in this Stipulation and Consent and the Order of Prohibition to the United States Code are as amended.

of the Home Owners' Loan Act, 12 U.S.C. § 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. § 1813(c).

- (b) Douglas C. Fruge, as the former President and Chairman of the Board of Directors of the Association, is deemed to be an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), having served in such capacity within 6 years of the date hereof. (see 12 U.S.C. § 1818(i)(3)).
- (c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association and/or its institution-affiliated parties. Therefore, Douglas C. Fruge is subject to the authority of the OTS to initiate and maintain a prohibition proceeding against him pursuant to Section 8(e) of the FDIA, 12 U.S.C. § 1818(e).

2. OTS FINDINGS OF FACT

The OTS is of the opinion that, with willful disregard for safe and sound practices and in resulting damage to the Association:

- (i) Douglas C. Fruge, as former President and Chairman of the Board of the Association, failed to ensure that the Association comply with the requirements of 12 C.F.R. §§ 562.1(b)(1) (by failing to maintain adequate financial records), 562.1(b)(2) (by failing to submit accurate thrift financial reports), and 563.160 (by failing to implement an effective asset review system).
- (ii) The violation of 12 C.F.R. § 563.160 regarding the failure to implement an effective asset review system was previously

addressed in a Supervisory Agreement executed by the Board of Directors on July 21, 1992, and Report of Examination dated March 31, 1992. As noted in the January 25, 1993 Report of Examination, Mr. Fruge's failure to adequately review assets resulted in the improper recognition and reporting of the severity of problem assets. A significant number and dollar amount of problem assets were not identified by Mr. Fruge. The Association's ongoing capital and operating results problems are largely attributable to the amount of loss provisions which have been established for these problem assets.

(iii) Mr. Fruge also engaged in unsafe and unsound practices when, from mid-1991 through February 1993, he willingly and intentionally withheld pertinent financial information from the books and records of the Association in order to conceal the proper non-sufficient funds status of an account of borrower, Matthew Vidrine. In addition, Mr. Fruge facilitated the use of the Association's funds to cover Mr. Vidrine's personal business debts and to make the loan payments on Mr. Vidrine's loan from the Association secured by a grocery store.

3. CONSENT

Douglas C. Fruge consents to the issuance by the OTS of the accompanying Order of Prohibition ("Order"). He further agrees to comply with its terms upon issuance and stipulates that the Order complies with all requirements of law, including Section 8(e) of the FDIA, 12 U.S.C. § 1818(e).

4. FINALITY

The Order is issued by the OTS under the authority of Section 8(e) of the FDIA, 12 U.S.C. § 1818(e). Upon issuance of the Order, it shall be a final order that is effective and fully enforceable by the OTS under the

provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. WAIVERS

Douglas C. Fruge waives the following legal rights:

- (a) the right to be served with a written notice of the OTS's charges against him (referred to as a Notice of Intention to Prohibit) (see Section 8(e) of the FDIA, 12 U.S.C. § 1818(e));
- (b) the right to an administrative hearing of the OTS's charges against him (see Section 8(e) of the FDIA, 12 U.S.C. § 1818(e)); 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. § 1818(h), or otherwise to challenge the validity of the Order.

6. INDEMNIFICATION

Douglas C. Fruge shall neither cause or permit the Association (or any subsidiary thereof) to incur, directly or indirectly, any expense for any legal (or other professional expenses) incurred relative to the negotiation and issuance of the Order of Prohibition, nor obtain any indemnification (or other reimbursement) from the Association (or any subsidiary thereof) with respect to such amounts. Any such payments received by or on behalf of the Respondent in connection with this action shall be returned to the Association.

7. ACKNOWLEDGMENTS

- (a) Douglas C. Fruge acknowledges and agrees that the consent to the entry of the Order is for the purpose of resolving this OTS enforcement matter only and does not compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of Mr. Fruge that arise pursuant to this action or otherwise, and that may be or have been brought by

any other government entity other than the OTS.

- (b) Douglas C. Fruge acknowledges that Section 8(j) of the FDIA authorizes criminal penalties for knowing violations of this Order.

WHEREFORE, in consideration of the foregoing and intending to be legally bound hereby, the OTS (acting by and through the undersigned) and Douglas C. Fruge execute this Stipulation and Consent to Entry of an Order of Prohibition.

THE RESPONDENT

/s/

DOUGLAS C. FRUGE

4/21/94

DATE

Accepted by:

OFFICE OF THRIFT SUPERVISION

/s/

FREDERICK R. CASTEEL
REGIONAL DIRECTOR
MIDWEST REGIONAL OFFICE

4-26-94

DATE

ORIGINAL