

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
JAMES B. YATES)
Former President and A)
Director of First Annapolis)
Savings Bank, FSB)
Annapolis, Maryland)

Resolution No.: ATL-93-1
Dated: January 2, 1993

**STIPULATION AND CONSENT TO THE ENTRY
OF A PROHIBITION ORDER**

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Southeast Region, and James B. Yates ("Yates"), the former President and a Director of First Annapolis Savings Bank, FSB, Annapolis, Maryland, ("First Annapolis" or "Institution") hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon its investigative findings as set forth below, is of the opinion that grounds exist to initiate an administrative proceeding against Yates, pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. § 1818(e) (West 1989 & Supp. 1992). The grounds include unsafe and unsound practices in conducting the business of the Institution and

violations of the July 1987 Supervisory Agreement ("Agreement"), as follows:

(a) Yates served as an officer and a director of both First Annapolis and its wholly owned real estate development subsidiary, Delta Financial Corporation, Inc. ("Delta"), prior and subsequent to the signing of the Agreement.

(b) One of the principal conditions of the Agreement required that, among other things, First Annapolis divest the Institution's (over) investment in service corporations that at the time exceeded the limitations of 12 C.F.R. § 545.74(c).

(c) Subsequent to the effective date of the Supervisory Agreement, Yates was responsible for the origination or approval of at least three limited partnership arrangements, created to fund new projects through Delta, and at least three loans, that resulted in a substantial increase in the Institution's investment in its service corporations, in violation of the Agreement.

(d) In addition, Yates also was responsible for the origination or approval of two major projects that were structured as loans, rather than as partnerships, in an apparent attempt to circumvent the investment limitations for service corporations and the requirements of the Agreement.

(e) The investments in the service corporation

that were made in violation of the Agreement resulted in estimated losses to the Institution, as of January 25, 1991, in excess of \$3.3 million.

(f) As a result of these actions, Yates engaged or participated in unsafe or unsound practices and violations of the Agreement. By reason of the foregoing unsafe or unsound practices and violations, First Annapolis has suffered substantial financial loss or other damage. Further, such unsafe or unsound practices and violations demonstrate a willful or continuing disregard by Yates for the safety and soundness of First Annapolis.

Yates desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance of OTS from initiating such administrative proceeding against Yates. Further, as outlined in Section 5 of this Stipulation, the OTS has determined not to seek restitution from Yates at this time.

2. Jurisdiction.

(a) First Annapolis was a "savings association" within the meaning of Section 3(b)(1) of the FDIA, 12 U.S.C.A. § 1813(b)(1). The Institution was an "insured depository institution" as that term is defined in Section 3(c)(2) of the FDIA, 12 U.S.C.A. § 1813(c)(2).

(b) Yates, as President and a Director of First Annapolis, was an "institution-affiliated party" as that term is defined in Section 3(u) of the FDIA, 12 U.S.C.A. § 1813(u).

(c) The Director of the OTS is the "appropriate Federal banking agency" to maintain an administrative proceeding against such a savings association or its institution-affiliated parties, pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C.A. § 1813(q)(4). Therefore, Yates is subject to the authority of the OTS to initiate and maintain an administrative proceeding against him pursuant to Section 8(e) of the FDIA, 12 U.S.C.A. § 1818(e).

3. Consent. Yates 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.

4. Finality. The Order is issued under Section 8(e) of the FDIA, 12 U.S.C.A. § 1818(e). 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(i) of the FDIA, 12 U.S.C.A. § 1818(i).

5. Waivers. Yates waives his right to a notice of charges and notice of intention to prohibit and the administrative hearing provided by Section 8(e) of the FDIA,

12 U.S.C.A. § 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, 12 U.S.C.A. § 1818(h), or otherwise to challenge the validity of the Order.

Further, this Stipulation and the Order do not compromise, settle, dismiss, resolve, or in any way affect any civil actions, charges against, or liability of Yates that arise pursuant to this action or otherwise, and that may be or have been brought by the Resolution Trust Corporation or any other governmental entity other than the OTS.

The OTS' decision to enter into this Stipulation has been predicated in part upon representations made by Yates concerning the amount, nature and quality of cash, property and other assets owned by Yates ("Assets"). It is understood that Yates has made a good faith estimate of the current value of his Assets, and Yates understands that should the OTS discover or learn from any source that the representations made by him about his Assets were intentionally or materially false, including but not limited to the failure to identify and/or value any Asset, the OTS reserves the right to void the settlement reached between the OTS and Yates, including this Stipulation and the Order, and initiate an administrative proceeding against Yates or take any other legal action that the OTS in its sole discretion deems appropriate.

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ORDER OF PROHIBITION

WHEREAS, James B. Yates ("Yates") has executed a Stipulation and Consent to the Entry of a Prohibition Order ("Stipulation"), which is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Regional Director for the Southeast Region; and

WHEREAS, Yates in 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.A. § 1818 e) (West 1989 & Supp. 1992).

NOW THEREFORE, IT IS ORDERED that:

1. Yates is prohibited from further participation, in any manner, in the conduct of the affairs of First Annapolis

