

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

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IN THE MATTER OF:)

MICHAEL L. GREGORY, Former)
Director, Attorney who)
represented and provided)
advice and counsel to, and)
institution-affiliated party)
of:)

First Federal Savings and Loan)
Association, Las Vegas, New)
Mexico.)

RE: OTS ORDER NO. DAL-93-38

DATED: December 3, 1993

STIPULATION AND CONSENT TO ISSUANCE OF AN
ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST
FOR AFFIRMATIVE RELIEF, AND
ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE OTS

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office ("Regional Director"), and Michael L. Gregory ("GREGORY"), attorney who formerly represented First Federal Savings and Loan Association, Las Vegas, New Mexico ("FIRST FEDERAL" or the "INSTITUTION"), and former director of FIRST FEDERAL, 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 an administrative proceedings against GREGORY 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. 1992), and Part 513 of the OTS Regulations, 12 C.F.R. § 513.1, et seq. GREGORY desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Without admitting or denying the statements and conclusions of the OTS, GREGORY hereby stipulates and agrees to the terms of this STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF, AND ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE THE OTS ("Stipulation") and to the issuance of the attached ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF AND ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE THE OTS ("Orders"), in consideration of the agreement of the OTS to forbear from initiating any other civil or administrative proceeding against GREGORY arising out of GREGORY's actions, known or discovered by the OTS prior to the issuance of the attached Orders. Specifically, this Stipulation and the Orders do not constitute admissions by GREGORY 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 GREGORY contends that his obligation to pay restitution pursuant to the Stipulation and the 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 GREGORY that may be or have been brought by any governmental entity other than the OTS. Specifically, this Stipulation and the Orders do not in any way affect, release or impair the rights of RTC/FIRST FEDERAL, RTC/NM FED (as defined in the Settlement Agreement¹), or any other governmental agency to pursue any claim for fraud or any director or officer liability claims or attorney malpractice liability or other claims sounding in tort or any claim based on the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1981 et seq., against GREGORY arising from or in any way related to any transaction or occurrence in which GREGORY and FIRST FEDERAL or RTC/NM FED are or were involved, nor does this Stipulation or the Orders impair GREGORY in acting in defense of any claim brought against him by the RTC/FIRST FEDERAL, RTC/NM FED or any other governmental entity.

¹ The SETTLEMENT AGREEMENT REGARDING OUTSTANDING PENDARIES LOANS by and between the RTC, Sappington Development, Inc., Michael L. Gregory, Mary Diana Gregory and James P. Sappington, Jr., signed by GREGORY on January 1, 1993, as amended from time to time, which is incorporated in the Orders by reference as though fully set forth therein.

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. 1992) and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C.A. § 1462(4) (West Supp. 1992). Accordingly, it is 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, 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 the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("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) From February 1986, until September 10, 1987 GREGORY was a member of the Executive and Loan Committee or Loan and Investment Committee ("Loan Committee") of FIRST FEDERAL's board of directors (the "Board"), and from November 1986 to September 10, 1987, he was a member of the Board. At all times relevant hereto, up to at least August 1990, GREGORY represented

GREGORY STIPULATION

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FIRST FEDERAL as an attorney, provided legal advice and counsel to FIRST FEDERAL's management and directors, and routinely attended and participated in meetings of the Board and the Loan Committee. Accordingly, GREGORY was a person participating in the conduct of the affairs of FIRST FEDERAL and, having served in such capacities within six years prior to the date of the issuance of the Orders, GREGORY is an institution-affiliated party of FIRST FEDERAL, as defined at 12 U.S.C. § 1813(u).

(e) Pursuant to Section 3 of the FDIA, as amended, the OTS is the "appropriate Federal banking agency" to maintain prohibition, cease and desist for affirmative relief and debarment from practice before the OTS proceedings against institution-affiliated parties of FIRST FEDERAL. Therefore, GREGORY 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), and Part 513 of the OTS Regulations, 12 C.F.R. § 513.1 et seq.

3. Consent. GREGORY consents to the issuance by the OTS of the Orders, a copy of which is attached hereto. GREGORY further agrees to comply with the terms of the Orders upon issuance and stipulates that the Orders comply with all the requirements of Sections 8(b) and (e) of the FDIA, 12 U.S.C.A. §§ 1818(b) and (e), and Part 513 of the OTS Regulations, 12 C.F.R. § 513.1 et seq.

4. Finality. The Orders are issued under Sections 8(b) and (e) of the FDIA, 12 U.S.C.A. §§ 1818(b) and (e), and Part 513

* * * * *

ACKNOWLEDGMENT:

State of New Mexico)
County of Sandoval)

On this 17 day of September, 1993, before me the undersigned notary public, personally appeared Michael L. Gregory and acknowledged his execution of the foregoing STIPULATION AND CONSENT TO ISSUANCE OF AND ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF, AND ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE THE OTS.

Mary Jarome
Notary Public

My Commission expires:

September 1, 1995

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

IN THE MATTER OF:)

MICHAEL L. GREGORY, Former)
Director, Attorney who)
represented and provided)
advice and counsel to, and)
institution-affiliated party)
of:)

First Federal Savings and Loan)
Association, Las Vegas, New)
Mexico.)

OTS ORDER NO: DAL-93-38

DATED: December 3, 1993

**ORDER OF PROHIBITION,
ORDER TO CEASE AND DESIST FOR
AFFIRMATIVE RELIEF, AND ORDER OF
PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE OTS**

WHEREAS, the Office of Thrift Supervision ("OTS") has conducted an investigation pursuant to OTS Resolution 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) During the period March 20, 1987 through May 26, 1989, FIRST FEDERAL made at least nineteen loans to Michael L. Gregory ("GREGORY") and his related interests that violated the regulatory limitation on the amount of loans that FIRST FEDERAL could make to "one borrower," as set forth at 12 C.F.R. § 563.9-3 (1986-1989);

(b) GREGORY, a director of FIRST FEDERAL and an attorney who represented and advised FIRST FEDERAL, knew of such violations, and neither advised the board of directors of FIRST FEDERAL or any committee thereof that approval and funding of the loans would constitute violations of applicable regulations, nor did he advise the board to seek independent legal advice concerning the loans; and

WHEREAS, GREGORY, in order to conclude this matter and to avoid the expense and difficulties of defense, has executed a STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF, AND ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE THE OTS ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting by and through its Midwest Regional Director ("Regional Director"); and

WHEREAS, without admitting or denying the statements or conclusions of the OTS contained herein, GREGORY has consented and agreed in the Stipulation to the issuance of this ORDER OF PROHIBITION, ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF, AND ORDER OF PROFESSIONAL DEBARMENT FROM PRACTICE BEFORE THE OTS ("Orders"); and

WHEREAS, the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue orders of prohibition,

GREGORY ORDERS

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orders to cease and desist and orders of debarment from practice before the OTS where the respondent has consented to the issuance of the orders;

NOW THEREFORE, THE OTS ORDERS AS FOLLOWS:

ORDER OF PROHIBITION

1. GREGORY 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 and, if appropriate, another federal financial institutions regulatory agency, GREGORY 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. 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.

3. Notwithstanding the foregoing limitations, this Order shall not have the effect of prohibiting GREGORY from providing routine foreclosure, bankruptcy or collection proceedings for an

insured depository institution on an arm's length, case-by- case basis, provided however, that such services may not be performed in a manner that would make GREGORY an "institution-affiliated party" as that term is defined at Section 3(u) of the FDIA, as amended by FIRREA, 12 U.S.C. § 1813(u).

**ORDER TO CEASE AND DESIST
FOR AFFIRMATIVE RELIEF**

4. GREGORY shall pay restitution to the Resolution Trust Corporation ("RTC") as Receiver for FIRST FEDERAL, in the amount of \$2,231,500 plus interest as set forth in the SETTLEMENT AGREEMENT REGARDING OUTSTANDING PENDARIES LOANS by and between the RTC, Sappington Development, Inc., Michael L. Gregory, Mary Diana Gregory and James P. Sappington, Jr., signed by GREGORY on January 1, 1993, as it may be subsequently amended from time to time in the future (the "Settlement Agreement").¹

5. The Settlement Agreement, as fully executed and delivered, is and shall be incorporated herein by reference and, in addition to the remedies set forth in the Settlement Agreement, shall be enforceable by the OTS as a term of this Order as though fully set forth in this Order.

¹ GREGORY has voluntarily entered into the Settlement Agreement with the RTC, for repayment of the loans in issue and in settlement of all of the RTC's claims against him, the amount of said settlement being \$2,231,500.00

6. Notice of payments to the RTC should be provided to the
OTS Midwest Regional Director by U.S. Mail at:

Mr. Fred Casteel
Midwest Regional Director
OFFICE OF THRIFT SUPERVISION
P. O. Box 619027
Dallas/Ft. Worth, Texas 75261-9027

**ORDER OF PROFESSIONAL DEBARMENT
FROM PRACTICE BEFORE THE OTS**

7. GREGORY's privilege to practice before the OTS, as
defined at 12 C.F.R. § 513.2(e), is hereby revoked. Accordingly,
GREGORY shall not henceforth, directly or indirectly, engage in the
following activities:

(a) The representation of another person at any
adjudicatory, investigatory, removal or rulemaking proceeding
conducted before the OTS, or a presiding officer or staff of the
OTS, including inter alia, those proceedings covered in 12 C.F.R.
Parts 508, 509, 510 and 512;

(b) The preparation of any statement, opinion, report or
other document that will be filed with or submitted to the OTS with
the knowledge or consent of GREGORY in connection with any
application or filing with the OTS;

(c) The presentation to the OTS or a presiding officer or
staff of the OTS at a conference or meeting relating to an entity's

