

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION

In the Matter of: )  
 )  
Forrest Wood, Jr., )  
Former Director of )  
 )  
First Guaranty )  
Bank for Savings )  
Hattiesburg, Mississippi )  
 )

Re: Resolution No. DAL-91-50

Dated: June 5, 1991

STIPULATION AND CONSENT TO ISSUANCE OF  
ORDER OF CIVIL MONEY PENALTY ASSESSMENT

The Office of Thrift Supervision ("OTS"), by and through the Regional Director for the Midwest Regional Office of the OTS, and Forrest Wood, Jr. ("Wood") 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 civil money penalty assessment proceeding against Wood pursuant to Section 8(i)(2) of the Federal Deposit Insurance Act ("FDIA"), as amended by Section 907(a)(2)(A) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73, 103 Stat. 183 (to be codified at 12 U.S.C. § 1818(i)(2)). ("FIRREA") (to be codified at 12 U.S.C. § 1818(b)). Wood desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Without admitting or denying that grounds for such proceeding exist, Wood hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative civil money penalty assessment litigation, and the agreement by the OTS to refrain from seeking the

issuance of additional civil money penalty assessments against Wood with respect to any matters (a) reported in the OTS Report of Examination of the Institution for the examination commenced June 19, 1989, or (b) discovered by the OTS as a result of its investigative proceeding, commenced pursuant to Federal Home Loan Bank Board Resolution No. ERC-90-24, dated January 31, 1990. This Stipulation and the attached Order are issued solely to settle this proceeding, and are not the result of factual findings. Wood acknowledges that the imposition of the Civil Money Penalty in this administrative proceeding by the OTS, and the payment of such Civil Money Penalty, are for the purpose of resolving this administrative proceeding only, and do not resolve, affect or preclude any ~~other~~ criminal proceeding which has been or may be brought against Wood in the future.

2. Jurisdiction.

(a) The Institution, at all times relevant to the allegations set forth herein, was a "savings association" within the meaning of Section 3(b) of the FDIA (12 U.S.C. § 1813(b)), and Section 2(4) of the Home Owners' Loan Act of 1933, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(c)). 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) Until August 9, 1989, the accounts of the Institution were insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") pursuant to Section 403(b) of the National Housing Act of 1934 ("NHA"), 12 U.S.C. § 1726(b), by reason of which it was an "insured institution" within the meaning of the NHA.

(c) As of August 9, 1989, pursuant to the provisions of FIRREA, the insurance of the accounts of the Institution was transferred to the Federal Deposit Insurance Corporation.

(d) Until August 9, 1989, the Federal Home Loan Bank Board, as operating head of the FSLIC, was the regulatory agency with jurisdiction over the Institution and its directors and officers, including Wood, pursuant to Sections 403 and 407 of the NHA, 12 U.S.C. §§ 1726 and 1730.

(e) As of August 9, 1989, pursuant to Section 3(q) of the FDIA, as amended by Section 204 of the FIRREA (to be codified at 12 U.S.C. § 1813(q)), the OTS succeeded to the interests of the FSLIC with respect to the supervision and regulation of all savings associations, and thus became the "appropriate Federal banking agency" to maintain civil money penalty assessment proceedings against the Institution and institution-affiliated parties of the Institution.

(f) On May 10, 1989, as Chairman of the Board of Directors of the Institution and the Executive Committee thereof, Wood voted to approve the Institution's investment in the stock of Unemployment Compensation Control Systems, Inc. ("UCCS"). On or about May 17, 1989, the Institution through its wholly owned subsidiary, Guaranty Service Corporation, entered an agreement with Unemployment Compensation Control Systems, Inc. ("UCCS"), and the Institution transferred assets including \$2 million in cash, to UCCS in exchange for stock. The \$2 million was deposited at the Institution in a certificate of deposit in the name of UCCS ("the CD").

On or about July 17, 1989, Wood received notice from the State of Mississippi Department of Savings Associations and the Federal Home Loan Bank of Dallas by separate letters dated July 14, 1989 (Attached hereto as Exhibits A and B), that the Institution was directed to unwind the transactions relating to this investment that had been consummated, and to take no further action to consummate the pending aspects of the investment. The Institution did not receive regulatory approval to proceed with the UCCS transaction, and Wood subsequently participated in negotiations for divestiture of the UCCS investment.

Minutes of the meeting of the Executive Committee of the Institution on September 6, 1989, reflect that Wood voted to approve the transfer of the CD to another depository institution "agreeable to both parties and under the joint control of both parties." On September 27, 1989, the board of directors of the Institution ratified this action, although the CD had been transferred to a UCCS corporate account on or about September 7, 1989, over which the Institution had no control. The funds were subsequently withdrawn by UCCS on or about October 3, 1989, resulting in more than minimal financial loss to the Institution.

Although certain other aspects of the UCCS transaction have been reversed, the \$2 million has not been returned to the Institution. The continued violation of the equity risk investment regulation, 12 C.F.R. § 563.9-8, since August 9, 1989, and the transfer of the CD provide the basis for the proposed action.

(g) Wood was at all times relevant to the allegations set forth herein, a director of the Institution and as such was an "institution-affiliated

party" as that term is defined in Section 3(u) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(u)).

(h) As an institution-affiliated party, Wood is subject to the OTS's authority to maintain prohibition proceedings.

3. Consent.

Wood consents to the issuance by OTS of the accompanying Order and 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(i)(2) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)(2)). Upon its issuance by the Regional Director for the Midwest Regional Office of OTS, it shall be a final order, effective and fully enforceable by OTS under the provisions of Section 8(i)(2) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. §1818(i)(2)).

5. Waivers

Wood waives the right to a Notice of Assessment of Civil Money Penalty provided by Section 8(i)(2) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)(2)), and the administrative hearing provided by Section 8(i)(2)(H) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)(2)(H)), and further waives his right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(h)) or to otherwise challenge the validity of the Order. By signing this document, Wood hereby expressly waives



