

UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION

OTS DOCKET #6985

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In the Matter of )  
 )  
RONALD S. GILLIAM, )  
 )  
a Director of )  
Dominion Savings Bank, )  
Front Royal, Virginia )  
\_\_\_\_\_ )

Re: Order No. ATL-2000-3

Dated: March 17, 2000

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

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed Ronald S. Gilliam ("Gilliam"), who at all relevant times was a director of Dominion Savings Bank, Front Royal, Virginia ("Dominion"), that grounds exist to initiate administrative cease-and-desist proceedings against him pursuant to 12 U.S.C. § 1818(b);<sup>1</sup> and

WHEREAS, Gilliam desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings. Without any adjudication on the merits, Gilliam neither admits nor denies that grounds exist for an administrative proceeding and neither admits nor denies the Findings of Fact or opinions and conclusions of the OTS, as set forth in paragraph 2, below. Gilliam admits the jurisdiction of the OTS set out in paragraph 1, below. Gilliam hereby stipulates and agrees to the following:

1. Jurisdiction.

(a) Dominion is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) Gilliam, as a director of Dominion, is deemed to be an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years of the date hereof. *See* 12 U.S.C. § 1818(i)(3).

(c) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" to maintain administrative proceedings against such a savings association or its institution-affiliated parties. Therefore, Gilliam is subject to the jurisdiction of the OTS to initiate and maintain administrative proceedings against him pursuant to 12 U.S.C. § 1818. The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his designee ("Regional Director") the authority to issue orders where the individual subject to the order has consented to its issuance.

2. OTS Findings of Fact. The OTS finds that:

Between January 1997 and continuing to the present, Gilliam has violated the Change in Control Act, 12 U.S.C. § 1817 and 12 CFR §§ 574.3(b) and 574.4(a)(4) in the following ways: (i) Gilliam has exercised the power to direct the management and policies of Dominion without giving the required prior notice to the OTS; and (ii) Gilliam has acquired additional shares of Dominion stock that have increased his holdings above ten (10) per cent of all outstanding shares of Dominion, and which terminated his prior exemption from filing notice pursuant to 12 C.F.R. § 574.3 (c) (3);

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<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.  
Gilliam Stipulation  
Page 2

after receiving notice of the violation from the OTS, Gilliam has failed and refused to make the filings with the OTS required by law.

3. Consent. Gilliam consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief ("Order"). Gilliam further agrees to comply with the terms of the Order upon issuance, and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued pursuant to 12 U.S.C. § 1818(b). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers. Gilliam waives the following:

- (i) the right to be served with a written notice of the OTS's charges against him as provided by 12 U.S.C. § 1818;
- (ii) the right to an administrative hearing of the OTS's charges against him as provided by 12 U.S.C. § 1818;
- (iii) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;
- (iv) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412.

6. Indemnification Limitations. Gilliam represents that he has not received, directly or indirectly, any sums from Dominion for the purpose of indemnifying or reimbursing him for any expenses incurred by him after December 13, 1999 relating to the issuance of the Order. Gilliam shall neither cause nor permit Dominion (or any successor institution, subsidiary or service corporation thereof) to incur, directly or indirectly, any expense for any legal or other professional services rendered to Gilliam relative to the negotiation and issuance of the Order, nor obtain any indemnification (or other reimbursement) from Dominion (or any successor institution, subsidiary or service corporation thereof) with respect to such expenses. In the event that any such payments are received by or on behalf of Gilliam in connection with this action, Gilliam agrees promptly to notify the OTS of the receipt of such payments and to return such payments without delay to Dominion (or any successor institution, subsidiary or service corporation thereof).

7. Scope of Release; Other Governmental Actions Not Affected.

(a) Upon the OTS's issuance of the accompanying Order, following the OTS's acceptance of this Stipulation executed by Gilliam, the OTS does hereby forever release and discharge Gilliam from all potential claims and charges that have been or might have been asserted by the OTS based on the alleged violations summarized in the Findings of Fact set forth at paragraph 2 of this Stipulation and as described below. Gilliam understands that the release provided by this paragraph is limited *solely* to administrative actions the OTS could take based on the above-alleged violations summarized in the above OTS Findings of Fact, or in any findings or conclusions contained in any Report of Examination of Dominion, conducted by the OTS prior to the effective date of this Order. This release shall not preclude or effect any right of the OTS to determine and ensure compliance with the terms and provisions of the Order and this Stipulation.

(b) Gilliam acknowledges and agrees that his consent to the issuance of the Order is solely for the purpose of resolving certain potential OTS administrative enforcement charges as provided by paragraph 7(a) above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of Gilliam that arise pursuant to this action or otherwise and that may be or have been brought by another governmental entity.

.8. Miscellaneous.

(a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order;

(d) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

WHEREFORE, on this 10<sup>th</sup> day of March 2000, Gilliam executes this Stipulation, intending

to be legally bound hereby.

Accepted on the date of the Order by:  
OFFICE OF THRIFT SUPERVISION

  
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RONALD S. GILLIAM

By:   
\_\_\_\_\_  
John E. Ryan  
Regional Director, Southeast Region

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Order No. ATL-2000-3

Date: March 17, 2000

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

WHEREAS, Ronald S. Gilliam ("Gilliam"), a director of Dominion Savings Bank, FSB, Front Royal, Virginia ("Dominion"), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist For Affirmative Relief ("Stipulation"); and

WHEREAS, Gilliam, by his execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist for Affirmative Relief ("Order"), pursuant to 12 U.S.C. §§ 1818(b),<sup>1</sup>and

<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

WHEREAS, the Director of the Office of Thrift Supervision (“OTS”) has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist for Affirmative Relief on behalf of the OTS where the institution-affiliated party who is the subject of the Orders has consented to the issuance of the Orders.

NOW, THEREFORE, IT IS ORDERED, pursuant to 12 U.S.C. §§ 1818(b), that:

**Cease and Desist Order for Affirmative Relief**

1. Gilliam shall not serve as, nor exercise the duties or responsibilities of Chairman of the Board or an officer of Dominion, nor serve in any capacity as an employee or consultant to Dominion. Further, unless requested to do so by a majority of the Board of Directors, Gilliam shall not solicit or propose any candidates for any position at Dominion, including directorships or any officer’s position.

2. While serving as a director of Dominion, Gilliam at all times shall lawfully exercise his fiduciary duties and responsibilities to Dominion. In addition, Gilliam may not serve on the following committees: Loan Committee, Executive Committee, Asset and Liability Committee, or any other committee that assumes or oversees any of the duties or responsibilities currently performed by those committees. This provision shall not, however, be deemed to limit Gilliam’s right to seek a modification of this Order to allow for participation on such committees as provided by paragraph 13 of this Order. Further, Gilliam shall abide by the restrictions and conditions set forth in the subsequent paragraphs of this Order.

3. While serving as a director of Dominion, Gilliam shall not participate, directly or indirectly, in the day-to-day operations of Dominion, including the day-to-day conduct of its business, financial and personnel affairs. In furtherance of the foregoing, Gilliam shall not:

(a) circumvent or attempt to circumvent Dominion's operating structure, including lines of authority, communication and responsibility;

(b) interfere with the day-to-day operations and activities of Dominion;

(c) act or hold himself out as acting on behalf of Dominion, or the board of directors of Dominion, without prior written authorization of the board of directors;

(d) appear on Dominion's premises, except to attend duly-called meetings of the board of directors and meetings of committees of which he is a member;

(e) threaten other Dominion directors, officers, employees or agents with litigation with the purpose or effect of influencing those directors, officers and employees; but this provision is not intended to restrict Gilliam's rights to bring legal actions in a proper forum;

(f) seek or obtain access to Dominion records other than the records made available to other directors in connection with meetings of the Board of Directors, unless the Chairman of the Board or the President approves such a request in advance; or

(g) violate any statute, regulation, administrative order, or directive of the OTS applicable to Dominion and its directors.

4. Gilliam shall affirmatively cooperate in the prompt appointment to the Board of Directors of Dominion of three representatives from The Shareholders Committee for Fairness and Equity, if such representatives are designated in writing by all members of such Committee.

5. Gilliam shall cooperate, consistent with his fiduciary duties as a director, in any effort to market or sell Dominion. As long as Dominion is classified as "significantly undercapitalized" or worse pursuant to 12 U.S.C. § 1831o and 12 C.F.R. §§ 565.1 and 565.4, and there is no other OTS-approved capital plan for the restoration of an acceptable capital level, Gilliam, as a director, must vote in favor of any acquisition of, merger of, or other proposal involving a business combination or

the sale of all or substantially all of the assets of Dominion presented to Dominion's Board of Directors where the majority of the remaining directors approve the merger or sale.

6. (a) Gilliam shall not directly or indirectly purchase any shares of stock in Dominion. He may sell shares to third parties, subject to regulatory approval where required.

(b) The 3,383 shares of Dominion stock which were sold by Mr. and Mrs. Biondi will be titled in the name of the Royal Lumber Trust and voted by the Royal Lumber Trust.

(c) Gilliam shall promptly place into a voting trust, the form and provisions of which shall be approved in advance by the Regional Director of the Southeast Region of OTS or his successor (hereinafter "Regional Director"), the balance of all stock of Dominion of which Gilliam is legal or beneficial owner or which he controls (the "Trust Shares"), and shall appoint an independent trustee mutually-acceptable to himself and the OTS, to administer the voting trust. If Gilliam has not appointed a trustee satisfactory to the Regional Director within sixty (60) days of the effective date of this Order, the Regional Director shall select the trustee to administer the trust.

(d) Beginning on the effective date of this Order, Gilliam may not vote the Trust Shares, except as provided in Paragraph 6(e) of this Order. While the Trust Shares are held in the voting trust, the trustee shall (i) vote the Trust Shares in support of management's nominees for director of Dominion; and (ii) on all other matters brought before Dominion's shareholders, other than those matters expressly exempted by Paragraph 6(e) of this Order, vote the Trust Shares in accordance with the *pro rata* vote of all other shareholder votes on such matters.

(e) With respect to any acquisition of, merger of, or other proposal involving a business combination or the sale of all or substantially all of the assets of Dominion or any charter or bylaw amendments which might relate thereto, Gilliam shall have the same voting rights as other shareholders of Dominion and may vote the Trust Shares as he sees fit.

7. Gilliam shall, within one year of the effective date of this Order, sell enough of the Trust Shares to an unaffiliated, disinterested third party, subject to the prior approval of the Regional Director, so that his ownership or control of Dominion stock, combined with the 3,383 shares of Dominion stock titled in the name of the Royal Lumber Trust, is less than ten (10) per cent of the outstanding shares of Dominion stock. If Gilliam has not sold sufficient Trust Shares to bring his ownership or control of Dominion stock to less than ten (10) per cent within one year from the effective date of this Order, the trustee shall, within one hundred and eighty (180) days thereafter, sell enough of the Trust Shares to an unaffiliated, disinterested third party, subject to the prior approval of the Regional Director, so that Gilliam's ownership or control of Dominion stock, combined with the 3,383 shares of Dominion stock titled in the name of the Royal Lumber Trust, is less than ten (10) percent of the outstanding shares of Dominion stock. The time frames in this paragraph may be extended by the Regional Director in his or her absolute discretion upon application for such an extension by Gilliam, the trustee or Dominion.

8. At such time as Gilliam's shareholdings plus the shareholdings of the Royal Lumber Trust shall aggregate less than ten per cent of the outstanding shares of Dominion, or upon a change of control of Dominion or a rebuttal of control application duly approved by the OTS, whichever occurs first, the voting trust described in paragraph 6 shall terminate and all incidents of ownership and control of stock shall be vested in the names of the persons or entities for whom the voting trust was created. Notwithstanding the termination of the voting trust in accordance with the terms of this paragraph, Paragraphs 1 through 6 and 9 through 13 of this Order shall remain in effect unless and until terminated and modified in accordance with Paragraph 13 of the Order. Gilliam agrees that, except as provided in paragraph 7, above, his ownership of stock in Dominion or any successor

thereto shall at all times be less than ten (10) per cent unless approved in advance by the Regional Director.

9. If the Regional Director has grounds to believe that Gilliam has violated any provision of this Order, he shall so advise Gilliam in writing, stating with reasonable particularity the acts which the Regional Director contends constitute a violation of the Order and a brief summary of the basis for such contention. Gilliam shall have fifteen days from the receipt of such notice to submit to the Regional Director such evidence as may be available to him which has a bearing on the contentions made by the Regional Director. Thereafter, the Regional Director shall render a written statement of his determination as to whether Gilliam has violated the Order and, if so, the remedies or sanctions, which may include requiring Gilliam's resignation as a director of Dominion. Gilliam may not contest or challenge in any court or forum any determination by the Regional Director that Gilliam has violated a provision of this Order and/or any remedy or sanction permitted by 12 U.S.C. § 1818 including requiring Gilliam to resign as a director, required by the Regional Director.

#### **Miscellaneous Provisions.**

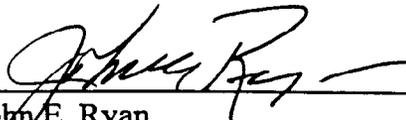
10. All costs and expenses, including but not limited to legal fees and other professional fees, incurred by Gilliam in connection with compliance with this Order shall be borne by Gilliam and in no event by Dominion. In addition, Gilliam shall bear all costs and expenses in connection with establishment and maintenance of the voting trust and sale of the Trust Shares, described in paragraphs 5 and 6 above.

11. The Stipulation is made a part hereof and is incorporated herein by reference.

12. Gilliam shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

13. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By:   
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John E. Ryan  
Regional Director, Southeast Region